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ABSTRACT

Testimony recorded in these hearings was presented by: Dr. Mark Shedd, Superintendent of Schools, Philadelphia, Pennsylvania; Dr. Robert Blanchard, Superintendent of Schools, Portland Public Schools, Portland Oregon; Joel Berke, Director, Educational Finance and Governance Program, Policy Institute of the Syracuse University Research Corp.; James Kelly, Program Officer in public education, The Ford Foundation, New York City; Julius Hobson, Director, the Washington Institute for Quality Education, Washington, D.C.; Charles Benson, professor, Department of Education, University of California and Berkeley, and Staff Director, New York State Commission on Quality, Cost, and Financing of Elementary and Secondary Education; and Mrs. Catherine Barrett, President-elect, National Education Association, accompanied by Glen Robinson, Director, N.E.A. Research Division, and Stanley McFarland, Assistant Executive Secretary for Government Relations and Citzenship. (JM)

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EQUAL EDUCATIONAL OPPORTUNITY—1971

HEARINGS

BEFORE THE

SELECT COMMITTEE ON
EQUAL EDUCATIONAL OPPORTUNITY

OF THE

UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

EQUAL EDUCATIONAL OPPORTUNITY

PART 16A—INEQUALITY IN SCHOOL FINANCE

WASHINGTON, D.C., SEPTEMBER 21, 22, 23, 1971

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EDUCATION & WELFARE
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INEQUALITY IN SCHOOL FINANCE

TUESDAY, SEPTEMBER 21, 1971

U.S. Senate
Select Committee on
Equal Educational Opportunity
Washington, D.C.

The Select Committee met at 10 a.m., pursuant to call, in room 1114, New Senate Office Building, Hon. Walter F. Mondale, chairman of the committee, presiding.

Present: Senators Mondale and Hatfield.

Staff members present: William C. Smith, staff director and general counsel; Donn Mitchell, professional staff; and Leonard Strickman, minority counsel.

Opening Statement of Senator Mondale, Chairman

Senator Mondale. The hearing will come to order.

This morning we begin hearings on inequalities in the financing of public elementary and secondary schools.

On August 30 the Supreme Court of California handed down what is probably the most significant and potentially far-reaching decision in education law since *Brown* versus *Board of Education* in 1954.

The California decision is important both for the constitutional rights it established and because, I think, it marks the beginning of a new era in our Nation's efforts to provide quality education for millions of disadvantaged children.

> The right to an education in our public schools is a fundamental interest which cannot be conditioned on wealth . . . the California public school financing system conditions full entitlement to such interest on wealth, classifying its recipients on the basis of their collective affluence and makes the quality of a child's education depend upon the resources of his school district and ultimately upon the pocketbook of his parents . . . this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors.

The California decision comes at a time of financial crisis in education—a crisis which has resulted in the dismissal of thousands of teachers, administrators, and other school personnel. Many school districts have had to eliminate programs in music, physical education, and art. Kindergarten classes, school libraries, and cafeterias have been closed. Other school systems face the prospect of closing down for weeks or months this school year.

Perhaps more important, the California decision has brought to the surface what many educators and observers have known for a long time. The inequalities in resources and expenditures among school districts in almost every State are so widespread and extreme as to insure that quality education is simply unavailable in poor school districts.

Low of $213 to High of $14,554

According to one report, public school expenditures in the Nation's 18,000 school districts range from a low of $213 per pupil to a high of $14,554. The facts which led to the California decision are both revealing and typical. Assessed property evaluation per pupil in California school districts range from a low of $103 to a high of $952,156. Per pupil expenditures range from a low of $407 to a high of $2,586, a ratio of more than 6 to 1. This, despite the fact that California, as do most States, has a State financing system specifically designed to equalize expenditures by supplementing revenues available to school districts with low tax bases.

In terms of the extremes found in the 50 States it is not uncommon to find schools with the highest expenditures per pupil spending five or six times as much as schools with the lowest expenditures per pupil.

Nor are these inequities confined to per pupil expenditures within States. Average expenditures among the 50 States range from lows of $463 in Alabama and $495 in Mississippi to highs of $1,330 in Alaska and $1,245 in New York.

At these hearings we will explore a range of school finance problems beginning with the condition of near-bankruptcy faced by many school districts. We will hear about the discriminatory effect of local property taxes, disparities in school resources—both within and among school districts—the failure of State financing systems to overcome these inequalities, and the role of Federal aid to education programs—which often serve to compound inequalities already present.

Finally, we will examine remedies and reforms which might be undertaken at the State and Federal levels through both legislation and judicial action.

At the conclusion of these, and other hearings, our committee should be in a position to recommend legislation which will serve both to increase the Federal resources available to local school districts, and provide the incentives necessary for the reform of school finance systems in every State.

Without prejudging the outcome of these discussions it seems to me that two principles ought to guide our deliberations on these issues.

First, I believe expenditures on education ought to be based on the needs of schoolchildren and not on the accidents of birth nor residence. This will require a reversal of present inequalities so that children from disadvantaged families receive not just comparable educational services; but, the resources necessary to overcome the adverse effects of disadvantage, and to enable them to perform in school to the best of their abilities.

Second, it seems clear that the States and the Federal Government must, together, assume the major burden in financing education. That means Federal aid of a magnitude much greater than the 7 percent of educational expenditures now provided from Washington. The need for massive Federal general aid to education is clear. It is time the Congress began to seriously debate the form which that aid should take; and, declare, as a matter of national policy and national priority, that every American schoolchild has a fundamental right to quality education, and to the resources necessary to achieve that goal.

We are privileged this morning to have two school superintendents who are in the front lines trying to fight this problem without the resources that they need.

We will begin with Dr. Mark Shedd, superintendent of schools, Philadelphia, Pa., and then Dr. Robert Blanchard, superintendent of the Portland public schools system in Portland, Oreg.

If both of you will come to the witness table. Dr. Shedd, we are delighted to have you here with us this morning.

You may proceed.

STATEMENT OF DR. MARK R. SHEDD, SUPERINTENDENT OF SCHOOLS, PHILADELPHIA, PA.

Dr. SHEDD. Thank you very much, Senator Mondale.

I express on my own behalf and on behalf of the board of education my sincere appreciation for the opportunity to present testimony before this distinguished committee. Since one of our colleagues who was scheduled to be here will not be here, I will presume on the committee's time to do what I hadn't planned to do, and that is to go through most of the written, prepared testimony.

Senator MONDALE. By all means. I have read both your statements. They are excellent. I wish you would do that, and then we can ask questions.

Dr. SHEDD. Thank you, sir. I would like to get right to the point.

Senator MONDALE. That would be revolutionary around here.

Dr. SHEDD. The urban schools of this country are dying. They are dying from financial strangulation, and if the Federal Government doesn't do something about it—something more than pious, pie-in-the-sky pronouncements about what might be done, or could be done sometime in the far-distant future—there won't be, in the words of one famous American, any urban public school systems left to kick around any more.

I certainly don't mean to joke about the situation, because I'm being extremely serious when I say, gentlemen, that right now you have a choice between supporting education in the Nation's great cities today with relatively modest sums of Federal funds, or of pouring infinitely greater sums of money into a police State tomorrow.

Now, obviously, that is a dire prediction, and you may tend to discount it as an exaggeration—many persons do—but I invite any of you to tour any of the urban ghettos and the ghetto schools of this Nation; talk to the kids and to their parents, and to walk through mile upon mile of blight, littered not only with decaying buildings but with uneducated, unemployed people who simply have lost hope.

Public education has always met the challenge of educating the ghetto dweller as he migrated to the big city in search of a new life. It wasn't too long ago that the Irish, the Italians, the Jews, the Polish and many others came to the urban ghettos of this Nation and turned to the local schools for an education; and, each in his turn received that education, despite the same constraints of illiteracy and poverty that exist in the ghetto today.

The difference now is that today the urban schools are being forced to cut so deeply into their instructional programs due to a lack of funds, that they now fail to meet even the most basic needs of a quality education. I'd like to repeat that: The public schools in the big cities of this Nation, including Philadelphia, don't have the money nor the staff to provide even a basic education for all of their pupils.

Senator **MONDALE**. What is your per pupil expenditure in Philadelphia?

Dr. **SHEDD**. During the current year, it's approximately $900.

Senator **MONDALE**. Do you have an estimate of what it would cost to provide minimum, basic quality education, per pupil?

Dr. **SHEDD**. If you take into account what affluent suburban, essentially unracial communities spend on the education of their youth, and consider the problems of educating urban youth, I would say a minimum estimate would be double what we are now spending.

Senator **MONDALE**. About $1,800?

Dr. **SHEDD**. $1,800 to $2,000.

Whereas previously we have served the interest, the educational interest well, of other ethnic and national groups coming into the cities, it's now the blacks, the current ghetto dwellers of the big cities who are caught up in this failure of the Nation's urban public schools. We didn't give up on all the other various ethnic groups that preceded the blacks in the ghettos, and I am asking the question today: Are we prepared to give up on the blacks?

Let me just describe, briefly, what a ghetto school is really like, using one of ours in Philadelphia as an example:

Unless you have visited such a school and seen firsthand the conditions with which students and teachers have to contend, you can't know their frustration and depression.

Here are some facts about one such school in North Philadelphia. The school was constructed before 1905 and is nonfire resistant. It's old and dilapidated. It's a firetrap.

The school has none of the modern facilities built into the newer schools. There's no cafeteria, which means no School Lunch Program. There's no auditorium which means no assembly programs.

There's no gymnasium and, therefore, no organized physical education program. The best the kids can hope for is a little exercise in the basement near the boiler and the furnace, or perhaps in the yard when the weather's nice.

The heating system is deficient. Some of the classrooms are consistently around 50 degrees, all winter long. Children dress in coats to keep warm.

When you add to that the many broken windows, damaged sashes and frames—which create drafts and noises throughout the building—learning becomes secondary to just keeping warm.

Perhaps you are beginning to see that it is not a very pretty picture that I am painting. But I am not finished yet.

The roof leaks and water has caused damage to the building. Paint and plaster are cracked, peeling, and falling throughout the building.

The school has one set of toilets for the children, which is located in the basement.

The teachers have no lounge, dining area nor office space. All special services are crowded into one converted classroom. The only men's room is on the third floor.

The morale of both pupils and teachers is understandably low. It's not easy to come to a building, day after day, which is literally falling apart.

When you add the problems of the community—such as a lack of community facilities, the high percentage of children from low-income families who come to school hungry each day, the large numbers of youngsters with low-achievement scores in basic skills—teaching also can become a very frustrating experience.

As an example, of the 540 pupils in the school, 65 percent scored below the 16th percentile on the Iowa test of basic skills—which is considered to be the minimum functioning level for pupils.

Senator **MONDALE.** This is an elementary school?

Dr. **SHEDD.** An elementary school.

Senator **MONDALE.** And the Iowa test of basic skills doesn't ask what grade level students are in; It asks whether they can read, write, and count, that sort of thing?

Dr. **SHEDD.** That is correct, sir.

Senator **MONDALE.** And it's assumed that any child who scores below 16 percentile lacks the minimum skills necessary to function as a student?

Dr. **SHEDD.** That is correct.

Senator **MONDALE.** And 65 percent of the children in that school fall below that figure?

Dr. **SHEDD.** Yes, sir.

Senator **MONDALE.** So that 65 percent of the children attending that school, if that test is accurate, are unable to learn?

Dr. **SHEDD.** Not unable.

Senator **MONDALE.** Apparently have not learned?

Dr. **SHEDD.** Have not learned.

Senator **MONDALE.** Is that unusual? Is this a peculiar, exaggerated sort of down-and-out school, or would it be typical of your schools?

Dr. **SHEDD.** It would be very typical of many of our schools in the low-income ghettos of the city of Philadelphia. It's not at all uncommon.

Senator **MONDALE.** Now, would some of those children scoring below the 16 percentile be in the fourth and fifth grades?

Dr. **SHEDD.** Yes, and beyond. These tests compare them with other youngsters of their age and grade in school systems across the country, so in comparison with a nationwide norm, so to speak, 65 percent of the kids are doing as poorly or poorer than the lowest 15 percent across the country.

Senator **MONDALE.** But the 16 percentile point, that is an abysmal level, is it not? They can't be functioning?

Dr. **SHEDD.** That is correct. And these are comparing second-graders with second-graders across the country, our third-graders with third-graders, eighth-graders with eighth-graders, and so on, across the country.

Senator **MONDALE.** Is this a typical ghetto school?

Dr. **SHEDD.** This would be a typical ghetto school, yes, sir.

And this problem is compounded when you realize that the faculty is comprised of 45 percent of inexperienced teachers, teachers with 2 years' experience or less. It is also apparent how woefully inadequate are the number of positions allotted for necessary services.

In this school there are only 12 positions for art, music, remedial education, counseling, and special programs for educationally, physically, and emotionally handicapped.

This falls far short of providing the help that is needed for pupils who begin their education with social, cultural, and economic handicaps. Yet these conditions are prevalent in some 30 other school buildings in Philadelphia.

And I say, 30 school buildings that are firetraps. But large numbers of additional buildings—while facilities might be of more recent construction—would still reflect the same test score failure.

We simply can't go on like this any more.

Yet, in spite of such deplorable conditions, we have trimmed from the budget some 600 teachers and 800 support personnel in the past year alone. We have cut drastically on books, supplies, and equipment. We have increased class size and have been forced by escalating debt-service costs to halt our school building program, despite the fact that every day more than 30,000 youngsters attend school in Philadelphia in firetraps. We have cut the heart out of our night school program and closed our schools to community use. Only last week, we restored extracurricular activities to the budget based on the admittedly tenuous pledges from both candidates for mayor, and the present mayor that they would get the money for us—somewhere. And in these times of rapid change, we have had to all but abandon staff and leadership development programs needed so desperately to equip our teachers and administrators to meet the challenges of urban education.

CRIPPLED SCHOOL CONSTRUCTION

The interruption of our school construction program is especially crippling. In the past 6 years, we've been able to build three new high schools, four new middle schools, 25 new elementary schools, 77 major additions, and 13 supportive facilities, providing an additional 48,000 student spaces to handle an increased student population of some 17,000 and to ease overcrowding by 31,000 pupils. We've also been able to spend $53 million on alterations and improvements, including building libraries into 200 elementary schools where two existed in 1965.

But now we have to stop, despite the fact that there are still some 30 nonfire-resistant buildings in use, class size is still far above accepted standards. We have to rent an additional 400 rooms in churches and community buildings just to handle the overflow. Where we have an extreme need to invest another $480 million in our building program by 1980, we must now stop.

And the reason is simply that our operating budget no longer is able to handle the debt service, which has risen from some $10 million in 1965 to $56 million this year—which is equivalent to 16 percent of our total operating budget.

On top of it all, we have been forced to cut back our research budget to one-third of 1 percent of our expenditures. Gentlemen, if any major industry in this Nation—and education certainly is a major industry—ever tried to exist on a research budget of one-third of 1 percent, they'd be out of business within months. Yet, the country's public schools, particularly the country's urban public schools, charged with the mission of educating a massive cross section of children with all kinds of learning disabilities, can only spend pennies on research vitally needed to overcome not only today's educational problems, but the far bigger ones we are certain to face in the future.

The story is the same in most big cities. Chicago is faced with the probability of having to shut down its schools for most of the month of December. New York had to borrow from this year's funds to finish last year, and now it faces a staggering deficit next spring. Detroit cut 200 teaching positions last spring, stopped repainting old schools, put its maintenance crews on a 4-day week, still finished the year with a $20 million deficit—and faces an additional deficit of some $50 million this year. Similar conditions exist in the cities from coast to coast.

Should Be Bolstering—Not Cutting

The simple fact is that at a time when we should be bolstering urban education with new expertise, new programs, and new enthusiasm to meet the critical problems that face us, we are constantly cutting back, spending most of our time trying to stem the flow of fiscal blood with bandaids and looking back over our shoulders at the specter of bankruptcy. Perhaps the worst part is the psychological impact on the school district staff as budget cut piles upon budget cut, and firings and demotions are the order of the day.

Statistics show that the trend is nationwide. In 1969, for instance, American voters approved only 56.8 percent of public school bond issues, rejecting some $2.2 billion necessary to pay increased educational costs and to build new schools. The total rejected in 1960 was but 20.4 percent of the Nation's school bond issues, a rejection of only $368 million.

In short, everyone seems to want better education, but no one wants to pay for it. Parents and politicians alike beat the drums loudly for better education, which certainly is their right and privilege; but when it comes to raising taxes to pay for better education, the drums seem strangely silent. The political tune turns quickly to educational overspending, and parents become suddenly concerned with the high cost of living. The schools as usual, are left holding the bag.

Unfortunately, the track record of congressional committees and commissions isn't much better.

I have watched and talked with consultants and experts from one Federal commission or another come in and out of the city of Philadelphia, asking the same questions about the urban nightmare. Later, I read in the papers that they have again reported that, indeed, the cities are in a mess; that indeed, their institutions are blighted and disintegrating, that children can't read, or can't get jobs, or drop out of schools frustrated, alienated, and angry.

You have to stop and wonder just how bad things have to be before something is done about it.

Absenteeism alone has a staggering impact on the ability of urban youngsters to learn. During the past school year, we had in Philadelphia approximately 18,000 high school students—some 30 percent of our enrollment—absent every day.

Senator MONDALE. Have those absentee percentages been rising?

ABSENTEE PERCENTAGES RISE

Dr. SHEDD. Yes, they have. Over the last 5 years they have been rising dramatically.

Senator MONDALE. What were they 5 years ago?

Dr. SHEDD. I would say that on a citywide basis absenteeism is up a good 10 percent from 5 years ago.

Senator MONDALE. Are many of these truants chronic truants?

Dr. SHEDD. Many of them are. For the last 4 years, we have had four high schools that are on complete dual shifts. We are lucky if the afternoon attendance rate goes above 50 percent.

Senator MONDALE. Are those ghetto schools?

Dr. SHEDD. Yes, sir.

Senator MONDALE. Is this truancy rate a phenomenon of the ghetto, or is it a result of the school situation or both?

Dr. SHEDD. I think it is most marked in the urban system. What the record in suburban or rural America is today, I don't know, but I suspect that the attendance rate has been falling off there, too, although not nearly as dramatically as this; and this is partly due to the need for greater relevance of school programs to the needs of kids today, but the urban school, in high schools, some of our really tough indirectly high schools would run average attendances of 63 to 65 percent attendance.

Senator MONDALE. What about the most disadvantaged ghetto schools? What would the average attendance be?

Dr. SHEDD. Attendance, 60 to 65 percent.

Senator MONDALE. So there would be about a third missing?

Dr. SHEDD. That is right.

Senator MONDALE. What would be the percentage in one of the more affluent schools?

Dr. SHEDD. About 90 percent attendance.

We have two schools, one boys' school and one girls' school, for academically talented students. They tend to be the more affluent students in the community. These serve the city at large.

Their attendance would be 92 to 93 percent. Interestingly enough, we also have a farm school, the School of Agricultural Science in town where the attendance also is very high.

Senator MONDALE. Have they heard about farm prices? You better not give them a course on that. Do you know that a Minnesota farm family of four, working a full week, gets 60 percent as much as a family of four on welfare in New York City?

Dr. SHEDD. No, I didn't know that.

Would you care to comment upon their living expenses?

Senator MONDALE. No. Living expenses are lower. There is no question about that.

But what I am saying is they have a very bad deal, the economics of agriculture——

Dr. SHEDD. I have always had a great deal of admiration for people who make their living from the earth, and particularly in the Midwest.

Senator MONDALE. God bless you.

CONTEND WITH MANY PROBLEMS

Dr. SHEDD. Standardized test scores indicate that some 40 percent of the children in our elementary schools, or 56,000 youngsters read at such low levels they can be considered functionally illiterate. And more than 6,000 of these children—who are totally disillusioned with the learning process because they can't read—simply drop out of our schools each year.

There are many other problems, too. Briefly, they are:

ENVIRONMENT

Many urban children, particularly those from the inner city come to school generally unprepared to learn. They have not had the kind of home experience that teaches them their numbers and letters and colors at age 3 and 4. Many ghetto youngsters, both black and white, have not had the benefit of educated parents taking care of their early childhood education in the home before they ever get to school. Many urban youngsters, in short, are already years behind their middle-class suburban counterparts which make up the bulk of the so-called "national norm" before they ever get to school.

BASIC SKILLS

Faced with the kinds of early childhood handicaps inherent in ghetto life, and with teachers unable to cope with their problems, many urban youngsters withdraw from the educational process once they are in school. Learning to read is like learning a foreign language. There is a fear of failure and rejection. So the youngsters "turn off" from the normal educational process and remain well behind national norms; Iowa test results from both black and white ghetto areas show this conclusively.

PUPIL MOBILITY

Test results also show that youngsters leaving the school system to go to other schools take with them conclusively higher test results than those coming into the system from other school systems. As a result, just the simple factor of pupil mobility tends to cut drastically into any improvement in test results. When you add to this the fact that many schools in the Philadelphia ghettos have a pupil mobility rate in excess of 100 percent per year, you have just about an impossible situation.

TEACHER TRAINING

Teachers trained through the normal pedagogical routes simply cannot cope with the frustrations of inner-city education. Although the tide is beginning to turn, the teacher training process must become far more sophisticated if teachers are to be properly prepared to tackle this urban problem.

COMMUNICATIONS WITH STUDENTS

For far too long, the student's voice has been ignored in the educational process. It is generally agreed, finally, that he can and should have a voice in how and what he is taught, in helping educators to improve the instructional fare of the high school to erase the joylessness and oppressiveness that prevails in so many schools today. But the problem is that although most students will use this new-found voice responsibly, a small but vocal radical element will attempt to abuse it; to use it to disrupt the school for their own ends. This leads to loud cries of permissiveness from adults. Hopefully, the advent of student bills of rights and responsibilities in Philadelphia and other school systems will help meet this problem.

DISCIPLINE

This is another area where many adults are calling for a return to the strap to restore order in the schools. But it is not that easy. Students must be treated as human beings. The radical element must be separated and dealt with. All students cannot be punished for the disruptive activities of a few. Philadelphia has developed a new discipline code to deal with this problem.

GANGS

This is an extremely critical problem. Some students refuse to come to school if they have to cross the turf of a rival gang. While generally gangs regard school buildings as neutral turf, fights on the way to and from schools in gang areas are commonplace, and the history of youth gang killings in Philadelphia is incredible. Learning in the face of this kind of anxiety, which sometimes generates into fear for one's life, is certainly not easy.

Senator **Mondale.** Is that a serious problem in Philadelphia?

Dr. **Shedd.** A very serious problem. It results in the death of 50 or more youngsters a year.

Senator **Mondale.** You mean 50 or more youngsters a year are killed in Philadelphia from gang fights?

Dr. **Shedd.** Yes, sir.

Senator **Mondale.** You indicate that this can often occur coming to and from school, and many of those 50 deaths occurred——

Dr. **Shedd.** To and from school. Most of them on weekends as a result of gang wars.

Senator **Mondale.** But this is still a deep concern?

Dr. **Shedd.** A deep concern. For the most part we have been able to maintain school properties, school buildings themselves as neutral territory, neutral turf, and as a result of the hard work of many of our school counselors we have been able to get agreements among warring gangs to let young people pass through their territories in order to get to school, but that is not the general rule.

Senator **Mondale.** I notice you do not mention drugs in this list of problems.

DRUGS: AN INCREASING PROBLEM

Dr. **SHEDD**. It is an increasing problem. I would say over the last 4 years the only accurate statistics—we have only scratched the tip of the iceberg of a real problem, and that is the number of youngsters arrested for possession and use of drugs, and those numbers have tripled over the last 4 years. It is not primarily a problem of the poor inner city school or the blacks. The larger piece of the problem, even though 60 percent of our student population is black, the largest percentage and the largest number of students that are arrested for possession or use are white; nonetheless, a very serious problem, indeed.

Problems of racism, problems of desegregation. In this respect we are under the gun of the State Relations Committee to have the student population in every one of our schools roughly approximate the citywide average.

Senator **MONDALE**. We had the State civil rights leaders here to testify sometime back——

Dr. **SHEDD**. Do you have any idea what it would cost if we were to comply with their directive? Some $40 million for buses alone, thousands of buses on the road every day, transporting some 50,000 youngsters.

Senator **MONDALE**. Is that the capital cost, or the operating cost?

Dr. **SHEDD**. Operating. Annual operating costs.

Senator **MONDALE**. It would cost $40 million a year in Philadelphia to achieve the racial balance required by your State regulations?

Dr. **SHEDD**. Yes, sir.

Senator **MONDALE**. Does that include cost of buses, or just the cost of operating the buses?

Dr. **SHEDD**. It includes the cost of purchasing and operating the buses. We figure, I think, a 7- or 8-year amortization of operating the buses.

Senator **MONDALE**. What is the minority breakdown; you have about 60 percent black, don't you?

Dr. **SHEDD**. Yes, sir.

Senator **MONDALE**. What other minority groups?

Dr. **SHEDD**. The only other identifiable ethnic group within the community would be Puerto Ricans, and they would represent about 6 to 7 percent of the school population.

Senator **MONDALE**. Six to 7 percent, and the rest would be white?

Dr. **SHEDD**. Yes.

Senator **MONDALE**. Thirty-four percent white, 60 percent black, 6 percent Puerto Rican. What in your opinion would happen in Philadelphia if you had the money to implement that 64–36 ratio systemwide?

Dr. **SHEDD**. Assuming you could get the kids on the buses?

Senator **MONDALE**. Yes.

Dr. **SHEDD**. Which would take an act of God or the National Guard itself just to get them on the buses. If you had the money, had the personnel, and could handle the logistics of it, I think you would have complete insurrection. You would have complete insurrection, and the longer term effect would be to speed the white exodus to the suburbs. That is why we are appealing that.

Senator **MONDALE**. Do those regulations require any cooperation by the suburbs?

Dr. SHEDD. No, sir. That is why we are watching the *Richmond* case so carefully, because we are completely convinced that the racial problem, the problem of racial segregation in our schools and in all of our public facilities in Philadelphia can only be dealt with and resolved on a metropolitan basis.

Senator MONDALE. Do you see integration, quality integration as an important educational tool?

Dr. SHEDD. Yes, sir.

Senator MONDALE. So that the comments you make are not made in opposition to integration?

DESEGREGATION

Dr. SHEDD. Before coming to Philadelphia I was superintendent of schools in England, N.J., for 5 years where desegregation and integration was possible. It is a 4-square-mile town. Forty percent of the student population was black. Practically all of them concentrated in one ghetto-like school. Within a period of 2 years we had completely distributed those youngsters throughout the school system, and in my opinion nobody was hurt, and everybody was to gain from an educational standpoint.

The record of my commitment to desegregation and integration is perfectly clear. Within the city limits of Philadelphia I do not see how it can be done. The only way you can achieve it is to move bodies. In a city this size, geographically and population-wise even the logistics could not be handled in my opinion. Some 1,000 additional buses on the highways every day, and the serious and severe dislocations, plus insurrection.

The major problem, I think, is pretty clear. It is an economic one: The escalation in teachers' salaries, which in turn results in a proportionate increase in salaries of all other employee groups in a school system.

In Philadelphia in 1965, before the first teachers' union contract was negotiated, the average teacher made about $7,200 a year. Six years later the average salary has risen to $12,500. And when you add to this the fact that there are more than 13,000 teachers in Philadelphia, the financial impact obviously is staggering. Wage increase for teachers alone in the 2-year period 1970–72 came close to $60 million.

As a matter of fact, teachers' salaries amount to more than 50 percent of the operating budget, and the salaries and fringe benefits of all personnel amount to 80 percent of the budget. On top of that, debt service and insurance add another 15 percent, leaving only 5 percent of the operating budget actually "cutable" without violating employee contracts or defaulting on debt or insurance payments.

Senator MONDALE. What is your total annual budget in Philadelphia, approximately?

Dr. SHEDD. Last March I proposed a $393 million budget, which was intended just to carry over existing levels of activities and operations from the previous year. Because we were paying 2-year salary increases in one, it meant an $80 million increase over the previous year's budget.

Senator MONDALE. What did you get?

Dr. SHEDD. Of that $80 million, $65 million was for salaries alone.

Senator MONDALE. Was your budget approved?

Dr. **Shedd**. No. I am telling you what I proposed this past March. By May it became very clear that we did not have a ghost of a chance of getting $393 million and $83 million in new moneys, so we came up with a rather arbitrary but practical stategy for solving the problem. First, we committed ourselves to about $30 million in cuts, which is about 7 percent of the proposed budget. A second $30 million we set as a goal to secure additional revenues from the State. This was the year in Pennsylvania when the income tax appeared to be likely. More moneys were available for school systems all over the Commonwealth. And a $20 million slug from the city, we hope. We cut our $30 million. We got $33 million from the State; from the city, not one dime.

In fact, legislation that we had passed in the State legislature, which would have enabled us to levy 10 percent on across-the-bar liquor sales was vetoed by the mayor after it was passed by council, and there were not sufficient votes in the city council to pass that. We have political problems too.

What we have now at the present time——

Senator **Mondale**. What did you end up with then as a budget?

Dr. **Shedd**. What we have now is a budget for a full school year that costs $360 million. Since we have only $330 million in assured available revenues, we will only be able to run until the 17th of May next spring.

Senator **Mondale**. Is that the prospect now, you will close down the 17th of May?

Dr. **Shedd**. Yes.

Senator **Mondale**. So how many days of education will the children miss?

Dr. **Shedd**. About 25.

Senator **Mondale**. They will miss a full month of school, or more than a month?

Dr. **Shedd**. More than a month.

Children Lose 1½ Months of Schooling

Senator **Mondale**. Almost a month and a half of schooling. Your budget of $330 million breaks down to 80 percent for teachers and other salaries, pensions and the cost of personnel; and then how much did you say was debt financing, approximately?

Dr. **Shedd**. Approximately $56 million.

Senator **Mondale**. I am just trying to figure out how much money you have got to use for innovation, instruction, curriculum development and so forth.

Dr. **Shedd**. The only way we have been able to save some of our innovative programs is to conserve very carefully the Title I and the Title III moneys coming from the Federal Government.

Senator **Mondale**. Would it be fair to say that your budgeting efforts these last few years have been primarily concerned with ways of cutting budgets rather than ways of adding programs to deal with the educational problem?

Dr. **Shedd**. I would say about 30 percent of my time is devoted to that very process at the staff level, the board level, and the community level.

Senator **Mondale**. How much Title I money do you get?

Dr. **Shedd.** About $20 million.

Senator **Mondale.** $20 million. How much other Federal funds?

Dr. **Shedd.** A total this year of about $53 million, all but about $5 million categorical. The $5 million that goes into our general fund is impact aid.

Senator **Mondale.** So out of $330 million, $50 million of it is Federal?

Dr. **Shedd.** That is over and above the $330 million.

Senator **Mondale.** That is over and above the $330 million?

Dr. **Shedd.** Yes, sir.

Senator **Mondale.** That is $330 million, State and local?

Dr. **Shedd.** Right. Plus the small chunk of Federal impact aid goes into our general fund.

Senator **Mondale.** So you get $380 million then. So what is your total revenue from all sources?

Dr. **Shedd.** Well, it would be the $330 million, plus the $53 million, and if we get the additional $30 million from the city, which the two mayoral candidates and the current mayor say we are going to get, that would be another $30 million.

Incidentally, the mayor promises us $20 million from revenue sharing.

Senator **Mondale.** The only thing is, many of us have said now is the time for these urban schools to innovate, to get new and flexible programs, to develop new curriculums. Actually, that kind of rhetoric to you is very interesting, but as I view your job, it is principally figuring out ways to cut the budget. You are on the defensive all the time with little or no time to move forward with these kinds of hopeful programs.

Dr. **Shedd.** By the time you are actually able to move on some innovative programs is when you are successful at the art of bootlegging.

Senator **Mondale.** I think you come into this later, but does your testimony stand for the proposition that teachers are being paid too much?

Dr. **Shedd.** No, sir. It does stand on the proposition that we need to invest very heavily in a research and development effort that will enable us to make better use of teachers, wider use of nonprofessionals and paraprofessionals and vastly increased use of educational technology. Five years ago we mounted the first successful effort at computer-assisted instruction. We should have pumped literally millions of additional dollars into that. We have just been able to hold on to what we began 5 years ago, which admittedly is merely scratching the surface on the problems of that technology.

We have hung on to it, but that will relate to something I say later on too.

SCHOOL COSTS SPIRALING

Certainly Philadelphia is not any exception in this whole financial crunch. I am sure you are well aware that the statistics show that school costs are spiraling all over the country. In the 10 school years from 1960–61 to 1970–71, school enrollments rose 27 percent nationwide, according to NEA, while public school expenditures rose 152.1 percent.

It is easy for critics of education to make loud, profound pronouncements about cutting out costly innovative programs and thinning topheavy bureaucracies, but the fact remains that if every innovative program were cut out of the operating budget in Philadelphia and if every administrative office were eliminated, the total savings would be in the vicinity of $5 million—slightly more than 1 percent of the total budget.

It is also easy for people to say that we are paying teachers too much money. Yet that argument does not hold much water when, as happened during recent contract negotiations in Philadelphia, sheet metal workers settled in Los Angeles for a new contract at $500 a week.

Also adding considerably to the fiscal problems of the school district is the fact that the main tax base for the public schools continues to be the real estate tax whose revenue increases only 1 percent per year unless the tax is raised each year. At the same time, operating budgets of school districts throughout the country are escalating at the rate of 15 to 18 percent per year because of salary increases.

The fact is that in the past 10 years there has been a gradual revolution in the public school systems throughout the Nation, and particularly in the large cities. During the past 5 years the annual increase in the budgets of school districts in the 20 largest cities has averaged approximately 16 percent per year. None has risen less than 14 percent and some have risen as high as 18 percent. Our average has been approximately 16 percent, which is also about the same level as the average increase of school districts throughout the Commonwealth of Pennsylvania.

Hopefully the California Supreme Court decision will have nationwide repercussions, but until it does we are all stuck with real estate taxes as one of our principal sources of revenue. And legislators, working overtime to avoid the political liabilities associated with raising real estate taxes, particularly in urban areas like Philadelphia, struggle yearly to come up with new ideas for school taxes.

Stop-Gap Taxes

The result has been a plethora of stop-gap, nuisance taxes that keep springing up to plug holes in the bottom of the fiscal boat when what it needs is a whole new hull. We get a couple of million here and a couple of million there that simply do not deem more than a drop in the bucket. And on top of that, the filing procedure for these small, contrived taxes is usually extremely complicated, the cost of collecting them high, and aggravation for everyone concerned is considerable.

As an example, Philadelphia City Council in 1968 repealed the school personal property tax and substituted a 2-percent net unearned income tax. Council also increased the general business tax from 1 percent to 2 percent. This rearrangement of taxes was supposed to provide the school district with $14 million in new revenue. Yet it actually yielded only $1.5 million.

Then in 1969, council enacted a 3-percent corporate net income tax, assuring us it would raise $30 million. In fact, it yielded $16 million.

Another serious financial problem is the factor of municipal tax overburden. It has been a fact of life in Pennsylvania and in many

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other States for years, that cities have been treated historically as if they were unburdened suburbs when it comes to State school subsidies.

In a city like Philadelphia or Pittsburgh, the major portion of the tax dollar is spent on maintaining large police forces and fire departments, in collecting mountains of garbage and trash, in fighting major health and welfare problems, in maintaining, in filling millions of potholes, in keeping buses, trolleys, and trains running, in operating prisons and juvenile detention systems, and on and on.

Conversely, in the suburbs the lion's share of the local tax dollar goes to the schools. Thus, affluent suburban schools, where the youngsters already have had all the advantages of a middle- or upper middle-class upbringing with its great emphasis upon early childhood education in the home, still can spend far more money on their educational systems than can impoverished city schools.

According to the publication in Pennsylvania by the University of Pennsylvania "Economic Aspects of Public Education in Pennsylvania 1970–71," issued by the Graduate School of Education of the University of Pennsylvania, Philadelphia ranks 39th in the five-county greater Philadelphia area in total staff per 1,000 pupils.

There are 38 school districts in Montgomery (15), Delaware (12), Chester (8), and Bucks (3) Counties which exceed Philadelphia's staffing ratio. The strain on the urban taxpayer is clearly indicated when we see that Philadelphia, with 16.5 percent of the population of Pennsylvania, produced 26 percent of the total local taxes collected throughout the State for municipal and school district purposes, and even more startling is the fact that the city of Philadelphia contributes $0.75 billion in taxes each year to the State of Pennsylvania and gets but $0.25 billion back. That is $0.5 billion we never see again.

City Traditionally Shortchanged

Yet it is in the city, which traditionally gets shortchanged on the educational tax dollar, where you have great concentrations of children whose emotions and learning ability have been permanently scarred by their environments; where you must provide services for thousands of children who are blind, crippled, hard of hearing, retarded; where you must administer massive free lunch programs and provide health, counseling and psychological care for literally thousands of pupils.

Unfortunately, the Federal Government, the one source of revenue capable of righting the fiscal wrongs of urban education, has done little except to fund piecemeal compensatory education programs.

One of the great problems with this kind of approach is that it causes an extremely serious dichotomy in the school system. You have two efforts, separately funded, separately staffed, trying to accomplish the same goals. What we need is one concerted effort, not two. It will take all the strength, resources and unity we can muster to solve the problems of education in the urban sector.

One area of neglect is vocational education, and I will not beat that one to death.

Senator **Mondale**. I was interested in reading your statement how heavily you came down on vocational education.

Dr. SHEDD. The promise 3 or 4 years ago by the Federal Government to invest heavily in vocational education, that promise has never been fulfilled.

Senator MONDALE. Does the public school system in Philadelphia handle vocational education?

Dr. SHEDD. Yes, sir.

Senator MONDALE. In some States, like Minnesota, there is a separate school system for vocational education. We have pumped up Federal spending substantially, have we not, in the last few years for vocational education? Nearly double.

Dr. SHEDD. I still think it is about 50 percent short.

Senator MONDALE. Oh, yes; that is true. Fifty percent is a golden figure. This is not a space program or anything like that. But we have substantially increased vocational programs.

INCREASE IN VOCATIONAL PROGRAMS

Dr. SHEDD. Much of the increase from $10 million to $53 million over the last 6 or 7 years has been a consequence of that, and it is still woefully short.

Senator MONDALE. Yes; but, by your statement at least, you would support a rather substantial if not massive increase in vocational education?

Dr. SHEDD. Yes, sir.

Senator MONDALE. Some people would say that vocational education is an admission of failure, that instead of preparing a child for the vast spectrum of vocational choices he has limited vocational opportunities. How do you respond to that?

Dr. SHEDD. I say there are a wide variety of career opportunities for which a wide variety of young people have great interest. It is our job to equip them with the basic skills and the career knowledge to enable them to capitalize upon those opportunities. It is to me anachronistic that large numbers of jobs go unfilled when there are tremendous numbers, literally tens of thousands of youngsters unable or without the knowledge or information necessary to fill those jobs, and yet our welfare rolls are mounting daily.

Senator MONDALE. As you know, a lot of the minority leadership—Indians, chicanos, blacks—will say that these children end up in "deadhead" vocational classes—at least what they call "deadhead," they may be good schools—and that they do not have access to some of the better jobs available through vocational training, because they cannot get into the union.

Dr. SHEDD. That is correct.

Senator MONDALE. You are from Philadelphia. You have probably heard about that.

Dr. SHEDD. We have got a tough union problem in Philadelphia. But we need to make inroads in all areas and at all levels. College preparation, professions, skilled trades, entry into unions, and we have begun to make some progress with some of the unions in this respect. We have run programs in cooperation with the Philadelphia Urban Coalition, with the Negro Trade Union Leadership Council, and increasingly, with some of the more enlightened unions, but the fact remains that the apprenticeship programs generally are fast, most of them are still white.

We have instituted very stringent controls in compliance with the Philadelphia Plan, both with our own contractors in the school system and with contractors that work for the city.

But while I believe strongly that minority groups particularly need opportunities all up and down and crosswise in the labor market, I think it is important, also, that they have the knowledge and the skills for entry at any level, even the lowest levels.

I think the data that I show here supports the contention that there are a wide variety of jobs at all levels of economic activity that are available; but, our youngsters just are not able to take full advantage of it.

Senator MONDALE. Do you find that many times students show more interest in these vocational courses than they show in basic skill training?

Dr. SHEDD. I think there tends to be more interest on the part of students in something that they feel is related to their immediate needs and to their interests. This is the problem with much of the conventional program in our standard high school program, be it in the area of citizenship or in the area of vocational or career training.

NATIONALIZATION OF URBAN SCHOOL DISTRICTS

I do not mean to say that we have the ideal program. There is a tremendous amount that needs to be done to improve the relevancy of our current data, particularly secondary school programs. What I have talked about is a brief and perhaps somewhat biased, but I think accurate, description of life in the city, where inadequate education breeds unemployment, unemployment breeds poverty, and with poverty comes substandard housing, bad health, rags for clothing. Then despair, which sows the seed of revolt.

It seems to be a very vicious cycle. I am asking you now to help us break that cycle. I am asking that you recommend to the Congress that the Federal Government nationalize the big city school districts of this country, that their operation and their funding be taken over by the Government.

I realize only too well that this is a drastic step, and I recommend it only after 4 years of fiscal agony in Philadelphia and a good deal of soul-searching in the past several months. The job of rescuing the Nation's urban schools from disaster simply has become to big for the limited resources of the State and the local governments to accomplish.

There is just one example. Philadelphia State education subsidies have more than tripled in the past 6 years from $50 million to about $170 million, and we are hopelessly further behind now than we were then. I see a national school system in the big cities totally federally funded as the only solution.

When a hurricane devastates the gulf coast the Government immediately declares a national disaster and steps in with great sums of money to rebuild what the storm has torn down. When the Mississippi overflows its banks and ravages the countryside national disaster is declared, and the Government steps in to help restore what has been swept away.

URBAN EDUCATION A NATIONAL DISASTER

Mr. Chairman and members of the committee—I am happy to see Senator Hatfield has joined us—I contend that the urban education today is a national disaster and nothing short of massive Federal intervention will save it. And, if it is not saved, I do not think even massive Federal help will be able to rebuild the great cities of this Nation—if they ever get torn down.

There are other precedents as well. Faced with massive economic problems in the Southeast many years ago, the Government stepped in with a commitment to revitalize an entire section of the country with the Tennessee Valley Authority. After World War II the U.S. Government virtually financed the rebuilding of Europe with the Marshall Plan.

In my opinion, it is now time to apply this degree of commitment to urban education while the bed is still warm. Once the structure of urban education collapses, and it is certainly on the verge of collapse right now, the death of the great cities will not be very far behind. If we lose the cities there are certainly no magic walls along their boundaries that would keep the massive urban problems from engulfing the suburbs as well.

My suggestion, actually my request, Mr. Chairman, is that your committee immediately appoint a commission to study the recommendation I have just made and to report back to you and to the Congress on its feasibility. I believe this would prove to be a major step toward solving the problems in education that have all but drained the lifeblood out of the children and the future leaders of our cities.

Our preliminary estimate is that nationalization of the largest 25 school districts in the country would cost in the vicinity of $10 to $12 billion, taking into account what they are spending now, but it could very well prove to be the wisest money ever invested by the Federal Government.

NEED FOR GOVERNMENT BACKING

Let's face it, anything that the Government has ever backed—many things that the Federal Government has backed—computer industry, the aerospace industry, putting a man on the moon, the whole technological revolution that has changed our way of living so drastically in the past 50 years, has succeeded.

I plead with the greatest urgency that it is time to make this massive governmental commitment to develop our greatest underdeveloped resource, the young poor in our cities.

Thank you very much.

Senator MONDALE. Thank you, Mr. Shedd, for a most impelling statement and description of a slightly appalling situation which I very much view as duplicated in many, many other cities in this country, and in a different context in the impoverished rural areas as well.

Senator Hatfield?

Senator HATFIELD. No questions.

Senator MONDALE. Let me ask the question that many critics of the school system are rising.

They say that the per capita expenditures and the total amount of money being spent for schools has risen dramatically, as your testimony points out.

Dr. Shedd. No question about it.

Senator Mondale. School population increased a third over a decade, school spending increased 150 percent. And the critics say: for that we have received less. The school systems are deteriorating, and using whatever standard you want—the percentage of dropouts, the percentage below grade level—it would be hard to prove there is any improvement and a good argument is that it is worse. They say, why pour more good money after bad. What is needed is a fundamental structural shape-up of the system with better incentives, with more community control and so forth.

The last thing you are going to do is pour money in until you have that restructure. And that argument has gained a lot of credence. In addition to the exhaustion of the real estate tax base, I think it is this sort of public exhaustion with the system which has defeated needed bond proposals.

I think you said $2.2 billion in bond issues which were turned down and that you can't get any more capital spending at all into these schools.

How do you respond to that, since you must have been troubled by it?

Dr. Shedd. First, we don't know what it might have been like without schools, as bad as people claim they are. Second, and I think it is a credit to the school systems of our great cities that so much has been accomplished in the face of the fiscal adversities and the deep and intense social problems that they have faced.

But I, for one, believe that there is a tremendous need for reshaping and recreating the whole manner of operation of urban schools. I think even if we were to have all the resources that we could request and justify and substantiate, without the very basic reform, the curriculum, the management, the pattern of staffing of our schools, the administrative structure, the opportunity for students and people of the community to become involved as real partners in the educational enterprise, that the additional moneys would not pay off as they must.

So I would argue that there is need both for very basic reform in the institutions of education, including the universities, that prepare our teachers as well, and the whole management system within urban systems; all systems of government.

Senator Mondale. You would be willing to accept a Federal takeover, Federal standards to require that?

Would Insist on Federal Takeover

Dr. Shedd. I would demand it.

Senator Mondale. Would you submit, by letter, what those requirements ought to include?

Dr. Shedd. Requirements for reform?

Senator Mondale. Yes. I won't question you on that now, because this is basically a hearing for school finance. But I would like to know what kind of requirements you think ought to be imposed.

Dr. Shedd. I will be glad to, sir.

Senator MONDALE. Anything else?

Senator Hatfield?

Senator HATFIELD. Dr. Shedd, I am sorry that I was late and did not have an opportunity to hear the beginning of your testimony. Some of us who live far away commute, on occasions, on what we call the "Red Eye" special, and I just arrived back in Washington from the State of Oregon a while ago.

I have been trying to read your prepared statement to find at what point you commented, or perhaps you did not comment on the response from the State Government of Pennsylvania to the plight of the Philadelphia school system?

Dr. SHEDD. When I came into office 4½ years ago, the level of State support was $50 million, which represented about 34 percent, I believe, of that total, of the total required then.

Senator HATFIELD. What year was that?

Dr. SHEDD. That would have been in 1966–67, about $50 million. It has risen to $170 million now, and closer to 50 percent of the total costs of our operating budget. Nonetheless we seem to be further behind now than we were then, largely as a result of increased costs. Most of that is as a result and debt service and inflation.

Senator HATFIELD. Was any of this State participation for construction, or was it solely for operational budgets?

Dr. SHEDD. Some for construction, yes.

Senator HATFIELD. Could you give a general breakdown of the 34 percent State aid or the 50 percent State aid as between operational budget, and construction?

Dr. SHEDD. I would say roughly 9–10 percent construction, 90 percent operating.

Senator HATFIELD. Operating budget.

HALF CENTURY OF NEGLECT

Dr. SHEDD. Yes. You see, one of the serious problems we have had is that the new board of education was brought in as a result of a revision of the Home Rule Charter in Philadelphia. A reform board was confronted with overcoming about a half century of neglect.

In any 1 single year, prior to 1965, the largest amount of school construction activity that had taken place was about $17 million in new construction each year. And the average over the previous 30 years was about $10 million in new construction.

The new board came in, confronted with a serious problem of tremendous overcrowding in some 75 schools that were fire traps, built more than 60 years ago. They mounted a $½ billion school construction program to overcome those deficiencies and inadequacies.

Likewise, teacher salaries were very, very low in comparison with, not only other professions, but with suburban teachers.

The two main thrusts from an economic standpoint of the new board 6 years ago was to overcome the facilities gap and to raise salaries to the point where we attract better quality and an adequate number of qualified teachers, and that has resulted in the biggest bulk of our increased expenditures over the past 5 or 6 years.

It is overcoming a half a century of neglect, in fact.

Senator HATFIELD. Do you have a State minimum teacher salary law?

Dr. SHEDD. Yes, sir. We are well above it. In order to compete on a fair basis with suburban communities for the quality teacher training graduates, teacher training school graduates, we figure we have to maintain a salary differential of some $370 million.

Senator HATFIELD. What is the State department? How is it structured? Do you have a superintendent of schools for the State?

Dr. SHEDD. Yes. We have a Secretary of Education, Commissioner of Basic Education, and a Commissioner of Higher Education. The State bureaucracy—as the State legislature—is suburban-rurally dominated; and, the State Department of Education is pretty much the same.

Senator HATFIELD. The legislative committees, as I understand it then, you say, as well as the bureaucracy of the executive branch, are rurally suburban?

Dr. SHEDD. Yes.

Senator HATFIELD. Is there a unified educational budget at the State level, or does each program fend for itself as far as legislative appropriation?

TWO CITIES AGAINST STATE

Dr. SHEDD. We fend for ourselves pretty much, and by and large it is Philadelphia and Pittsburgh against the rest of the State to survive, and we always come out second best.

Senator HATFIELD. The State has been reapportioned, though, hasn't it, in line with the Supreme Court ruling, so that there is one man, one vote?

Dr. SHEDD. Yes, sir.

Senator HATFIELD. But the committee structure is still dominated by the suburban rural interest?

Dr. SHEDD. Yes.

Senator HATFIELD. Did I understand you to say that State aid went from 34 percent of costs up to 50 percent?

Dr. SHEDD. About 48 percent.

Senator HATFIELD. This is a remarkable contradiction.

Dr. SHEDD. That is right.

Senator HATFIELD. As you can appreciate, as Superintendent Blanchard will testify later, we have had experience, unfortunate experience in Oregon, finding ourselves at a high of 40 percent, dropping now to, I think, around 22 percent State aid, and always with the 50 percent as the magic goal that was one of the conundrums of the education profession. They peddled to State legislatures and to Governors that, somehow, all the woes and problems of education would be settled if they could once strike that happy 50 percent cost factor of support. So, therefore, this sort of belies that, which, as I say, has been dramatically and effectively peddled by educational experts over the years.

I have been associated both at the State level and through the interstate compact that we initiated through the Governors' Conference.

Could I ask this question? Is money your only problem?

Dr. SHEDD. Money and the reform efforts that Senator Mondale and I were discussing earlier.

Senator Hatfield. Well, I say this in a friendly way, as a professional educator myself, that I am left in a rather confusing state of mind here as it relates to the financial structure and the financial system that you represent, and as you relate that to your basic problems.

You are talking about disaster. I am not whetted to the old cliches, or anything else, but what happened to this 50 percent utopia that was to be achieved, which you have come close to achieving on a funding basis, and yet you face disaster?

We on the political side—if I could put my political hat on—look to the educational field to give us the counsel and guidance. You set up certain measurements and certain standards, or certain goals, and we move together to try to achieve them, and then we find that we end up with disaster.

We obviously have goals that are ludicrous. I think we have to be informed a little bit as to where our goals were defective—or our measurements were defective—because this constant changing of the rules make it very difficult for those who are sympathetic to education. Of course, it makes it almost impossible for those who are not sympathetic toward education. I comment in this manner as a friend, and as one who is deeply concerned about the plight which you are in, but I am not completely convinced that money is the only tool, or even that the reforms that we talk about, and we have been talking about, are the solutions to the problem.

12-Month School Program

Twenty years ago, I proposed to the Oregon Legislature a 12-month school program. I almost lost the next election as a result of it. It was too radical. At that time, our schools were closed more days per year than they were open, and the only other institution that I know of that is less utilized is the church.

I feel that there are so many socioeconomic factors here that are really playing against the school program—playing against the school institution as such—and we have to attack them on all fronts. It is just a problem trying to get a handle on it.

Where do we begin? I sometimes think that we have overemphasized the possibility that money could cure all problems. Now, I am not demeaning at all your evaluations. I am not contradicting them nor attempting to challenge them. I am just making some general comments that trouble me as it relates to this problem of trying to achieve equal educational opportunity for all people.

I think one of the great problems which we must grapple has been this continual trend of urbanization. Some people get awfully excited about numbers of people. They get almost hysterical about how many people are being born every year; and, they fail to address themselves to the fact that it is not the quantity of people, but it is the crowding together on less than 1 percent of the Nation's geography where we find the majority of our population today—increasingly in that trend.

We have lots of land out West. We have lots of land in Pennsylvania. A lot more land per person than there is in Philadelphia or Pittsburgh; but what are we trying to do to reverse that trend of urbanization? We are doing very little.

PROBLEMS OF URBANIZATION

You take the smaller communities; they are getting older, they are getting poorer, and they are dying. And, at the same time, we wring our hands about the horrible problems of urbanization.

This Congress passed appropriation of $100 million to help develop sewer and water systems whereby industries can locate in smaller communities; and develop job opportunities to keep the young people there, and give them chances and opportunities. The administration impounded $56 million of that $100 million appropriation. So we push more people into your Philadelphia area, because that is just the trend of the population pattern.

Well, we could go into many other incidents how this thing continues to be developing as a possible problem for you. Money alone is only one instrument to cope with it, as I see it. I support it, and will continue to support increase in appropriations for education; but, I think we have to have at the State level, the Federal level, the local level, far more clarity and far more careful measurements by the educational experts.

I don't expect unanimity on the viewpoint of this. After all, educators are like other people. They have various viewpoints and philosophy. I have sat on this committee, I have sat on other educational committees. We need to get something more dependable, or flexible enough to move with the changing trends and patterns of life.

You talk about vocational educational training—

I went before the Appropriations Committee and asked for an increase in the vocational education appropriations. I think they told me, at that time, there were 16 agencies dealing with vocational education—in some form or another in the Federal Government. We need reorganization on that badly.

But there, again, just increased money wasn't going to really resolve the problem, because we fritter away so much of it through the conflicting, duplicating, and overlapping of programs.

EFFECTS OF CONSOLIDATION

I sometimes regret the leadership I gave in 1953 to school consolidation in my State. I now believe that that was a bad mistake. We took a lot of the small schools out of the areas—which had become the center, and had been the center of community life, where people identify with education—because they had children in school. They had meetings there at the schoolhouse. They involved themselves with that schoolhouse. They took a personal viewpoint and a possessive attitude toward that school and had an interest in that school.

And, I think in our rush to become monolithic and efficient, again, under the urgings of educational experts, we have destroyed that community identification with the schoolhouse and the school programs.

Mr. Chairman, I didn't mean to engage in a monolog here, but I did want to express some of these problems that come into my mind as I hear your testimony. I know Senator Mondale has given much time, has devoted many, many hours of the day to this problem.

Senator MONDALE. I talked to a civil rights leader the other day, and I asked what are we going to do about this problem. His recommendation was to shift the incentive so the people stop crowding the major central cities. And, if anything, start out-migrating because the cities are almost beyond control. I think that is what you have said.

Several weeks ago, the chairman of the New York City School Board testified for some time about how bad the system was. Finally, I said, "I thought you were in charge of it?" He said, "Surely you must know that the school board does not control education in New York."

The truth of it is, of course, that you didn't desire to overcrowd the school system of Philadelphia with poor, disadvantaged children. They are there, and you have to try to educate them. What you are saying is, given the way people live and where they live today, your system is an appalling, tragic mess. I thought you were very open in your response to the need for reform. You think it needs to be shaken up, but yet you say that without money you still can't do the job. That is the way I understand your testimony.

Dr. SHEDD. Precisely.

Senator HATFIELD. You can't do the job and you are trying to live hand-to-mouth.

URBAN/STATE RELATIONSHIP

I would think, too, though, that somehow the State government of Pennsylvania, as well as all State governments, have to be shaken up as to their relationship and their responsibility. Some of these Governors and mayors get awfully concerned about losing authority and mythical influence. They create a vacuum oftentimes by the failure to give leadership to solving these problems and leave you nothing but the alternative to appeal to the great father here.

Dr. SHEDD. Senator, without being facetious, in Pennsylvania people who run for the State legislature from the suburban and rural areas run on a platform of "screw Philadelphia and Pittsburgh."

Senator HATFIELD. Have what?

Dr. SHEDD. "Screw Philadelphia and Pittsburgh."

Senator HATFIELD. That is what I thought you said.

Dr. SHEDD. Your aim is a very lofty one, but I am afraid it doesn't recognize the realities, the political realities that we are faced with in a major urban center in the Northeast in dealing with a State legislature that gets elected that way. It isn't going to happen in this decade, Senator, I am afraid.

And it has something to do with race. I am persuaded it has a lot to do with race. And I am also persuaded that this is implicit in the southern and suburban strategy of the national legislation. It has a lot to do with race.

Senator HATFIELD. Well, I am not going to take issue with you, because I am not familiar with your political situation in Pennsylvania. As you described it, it sounds appalling that there should be this kind of value system employed by the political candidates that you refer. You certainly are the victim; and, more so than you, the children, the students are the victims. You represent the institution of education, and the whole State suffers. These people aren't gaining any advantage for their State. They may be making political capital out of some of the responses that they get, but it certainly doesn't help the State.

PRESSURE FOR REFORMS

But I would hope that somehow again, that either through Federal standards and, very frankly, Federal strings, we could either lure or force the States into some of these same reforms that we should practice. First of all as an example, because we started out with the basic school support program that is going to help the poor districts with an equalization formula. As it ended up, it just didn't work out that way at all.

So I know a little bit about what reform we should have in our own State, and how difficult it is to come by. But maybe the only club that we have, and maybe the only way we can get response is through the club approach.

Maybe the lure is too sweet on approach. We are grateful for people hollering to hold the fort, keep your finger in the dike; and, hopefully, we can come to the rescue in some way—but mobilize other allies as well.

Dr. SHEDD. It is a thankless job, and there are probably 2 million people in Philadelphia who can do a better job than I can, but I am there, and somebody has to do it.

What I am proposing, in nationalizing the school districts in 25 larger cities, I think, accomplishes three major things. First, it immediately assures the funding and stability of programs for millions of poor children in cities presently being denied equality of educational opportunities.

Second, it comes to bear on a major sector of prime national interest, the full managerial, research and development and funding capability of the Federal establishment.

Third, in the process, it does relieve States and municipalities somewhat of this burden, and thus freeing those resources to devote to their other seemingly more important priorities.

Senator MONDALE. Thank you very much, Mr. Shedd, for a very useful statement.

We also have with us Dr. Blanchard from Portland, Oreg.

Senator HATFIELD. Mr. Chairman, I would not attempt to give the long pedigree of credentials of Dr. Blanchard. I would only say that Dr. Blanchard came into our major metropolitan part of Oregon, an area which faces problems less severe than those which we heard as far as Philadelphia is concerned, but still facing all sorts of problems. Dr. Blanchard, I would describe as a man who has—to use an overused word perhaps—been very inventive. He has dared to do things which demonstrate not only creativity, but a willingness to shake up the status quo. And when you get into the status quo in education there is only one institution that is worse as far as commitment to status quo, and that is the political institution.

He certainly has done much to bring public focus to these problems and has succeeded in many instances. He has not had all his bond issues passed; but, fortunately, we do not measure his success by that alone. I am very proud to have Dr. Blanchard here today to testify as to his elevation of the system in Portland and the State of Oregon.

Senator MONDALE. Dr. Blanchard, we are very pleased to have you here. We have heard a great deal about your school system. As a matter of fact, at one point, we had planned to hold hearings in Portland. So, we are delighted to have you here. Please proceed as you wish.

STATEMENT OF DR. ROBERT W. BLANCHARD, SUPERINTENDENT OF SCHOOLS, PORTLAND PUBLIC SCHOOLS, PORTLAND, OREG.

Dr. Blanchard. Thank you, Senator Hatfield, Senator Mondale.

I know I speak for my board of education in expressing my thanks to this Select Committee, for the opportunity to testify here today on an issue that is a matter of national crisis. On that score I am in agreement with my colleague Mark Shedd. I think that Senator Hatfield intimated our problems in the city of Portland vary substantially in degree from those outlined by Superintendent Shedd, but not in kind.

Senator Mondale. How many students in your school system?

Dr. Blanchard. We have about 74,000, Senator.

Senator Mondale. What is the white-black ratio?

Dr. Blanchard. The black enrollment in the public schools is about 8 percent. The total minority enrollment is about 10.

Senator Mondale. Do you have Mexican Americans?

Dr. Blanchard. No, sir; Indian and Oriental.

Senator Mondale. What is your per pupil expenditure?

Dr. Blanchard. About $800. Our budget in contrast to that described by Superintendent Shedd is about $70 million, while his is $360 million. We have in our inner city schools most of the problems that were very graphically and excellently portrayed in Mark Shedd's analysis, the same problems with respect to achievement, but on a much more narrow scale and not as widely affecting the entire city school system as he described.

Senator Hatfield. May I interrupt, at this point, to give a further statistic to show to the chairman of the committee the uniqueness of your system as it relates to the minority. We have, in the entire State of Oregon, about 2 million people of which 2 percent are nonwhite. Of that 2 percent, it breaks down to about 1 percent black and 1 percent other non-Caucasians, Indians, Spanish-speaking Americans, and so forth. But of the black, of the 1 percent total population of black, I believe, 95 percent reside in Portland.

Consequently we have a full focus and the full concentration of the minority in this one city, as contrasted to the problems in the cities in the rest of the State.

Dr. Blanchard. Yes, sir, Senator. And I think that same contrast can be cited for the metropolitan area of Portland as well. In other words, the black population is in the city.

Property Taxes and the Schools

In many States, as was recently highlighted through the California Supreme Court decision—that landmark decision—State support for elementary and secondary programs depends heavily upon property tax levies. Typical of this heavy reliance upon property tax is the State of Oregon where in the fiscal year just ended, 1970–71, there were $300 million in property taxes levied locally for operating support of Oregon schools, an amount equal to 72 percent of the school district operating costs.

As Senator Hatfield indicated earlier, this has represented a steady decline since the early 1950's from approximately 40 percent down to about 22 percent, and as the formula affects the city of Portland, we are at 18 percent—because of the equalized valuation behind each pupil.

An additional $29 million in property taxes were levied for costs related to capital expenditures, an amount equal to nearly 100 percent of total school district budgets for such purposes.

There is virtually no State aid for capital construction in the State of Oregon.

Clearly such heavy dependence on real estate taxes for public education makes schools particularly sensitive to factors which make property taxes an inflexible, unstable, or otherwise inadequate source of revenue. Although the reasons for the inflexibility, instability, and inadequacy of property taxes for the support of a major community enterprise such as the schools may vary somewhat from State to State, they are ever-present and ever-severe in their impact at least during the last decade.

As a matter of fact, I think the success in the State of Oregon and in many other States throughout the country, has shifted from approximately a 70–30 percent favorable vote of the people to just the reverse, a 30–70 percent negative vote.

BASIC INFLEXIBILITY

A major factor rendering real estate taxes inflexible and unstable is the need to obtain annual voter approval of tax levies no matter what economic, political, or other vicissitudes may prevail at the time. Although Oregon has a unique constitutional provision permitting school districts to levy annually, without voter approval, property taxes equal to a tax base which may have been established at a general election, and although school districts may increase tax revenues by 6 percent each year above such legal tax base, the limitations of property taxes in Oregon remain critical.

Indeed the fact is that only a small number of schools in my State have been able to obtain voter approval of a tax base sufficient to support more than a skeletal school program. The bulk of our school districts have tax bases so low that they join the thousands of school districts around the Nation in seeking annual approval of property tax levies by the voters.

Because of such fiscal uncertainty planning is at best problematic, and even survival is presently in jeopardy. As a matter of fact, the school district of Portland will dramatically shortchange approximately 74,000 students this year. The doors will close early in May, representing close to a month's shortening of the school year, in the absence of sufficient operating funds.

Senator **MONDALE**. Would you yield there?

All over the country, the old 9-month school year is like the old horse and buggy. You are lucky to get 8 months now.

Dr. **BLANCHARD**. That is correct, sir.

Senator **MONDALE**. I think Mark Shedd said he is closing on May 17. You are closing around May 5. We heard Chicago is closing 12 days early.

Dr. **BLANCHARD**. We normally close somewhat earlier than the Pennsylvania schools.

Senator **MONDALE**. The Ohio superintendent who was to testify today, could not be with us because he is going to have to close his schools in October. That is correct, isn't it?

Dr. **Blanchard**. Yes; school districts in Ohio, particularly, who operate on a calendar fiscal year, run out of money in the late fall. Hence their closing at that time of the year is a very natural consequence of their budgetary situation.

Senator **Mondale**. Apparently we are deschooling America.

Dr. **Blanchard**. We are certainly not, under those circumstances, moving toward Senator Hatfield's very sound direction he proposes on year-round operation.

The board of education in making this decision did it on, I think, a very calculated basis. They had in earlier times of fiscal crises emasculated various Portland school programs with selective cuts, including such matters as athletics, which were immediately revived by the public's subscription while kindergarten went out the door.

Senator **Hatfield**. Let me interrupt at this point. I have shared with the chairman and other members of this committee, Dr. Blanchard, the unique innovative program that you have adopted there. Developing some districts and having greater identification with people living in the areas; and, also a better racial mix of the school district. How does this financial picture relate to that program? And, would you briefly describe that for the committee at this point?

Move to Decentralization

Dr. **Blanchard**. Yes; it is a very typical development nationally, the move toward greater decentralization of our schools. While Philadelphia, which Dr. Shedd commented on earlier, is dramatically larger; still a school system with a bureaucratic organization, a $70 million budget, and operating with clientele of 74,000 students is a very large organization for dealing effectively with the average citizen.

We have moved to three decentralized areas with citizen boards, including students on those boards, as well as staff boards which make recommendations both as to preparation of the budget and also the operation of those subsystems. We are relying on the central operation of the school system to devote its primary attention to only two areas. One is management services, in which size is an asset, such as in the field of purchasing, and in the evaluation of programs. We no longer attempt to impose educational programs designed for the local schools and the areas, but expect them to initiate such developments at those levels, but to be held accountable for their evaluation.

Senator **Hatfield**. Why did you design these subdistricts as related to the ratio?

Dr. **Blanchard**. To reflect what we believe is a healthy cross section of the city's population, not only racially, but also socioeconomically, which may be even more basic.

Senator **Mondale**. Did you use busing to accomplish that?

Dr. **Blanchard**. It is by no means accomplished, Senator Mondale, to the extent that is envisioned in the recommendations I have made to the board. We have attended to the issue at the high school level. We have presented proposals for the creation of middle schools to the citizens of Portland. They informed us that they were not enthusiastic by a 2-to-1 vote, and now we are moving to alternatives to continue what I still feel is basically a sound direction.

Senator **Mondale**. Do you have any majority black schools?

Dr. **Blanchard**. Yes, sir. We have six such elementary schools.

Senator **Mondale.** Even though you have only 8 percent blacks in the school system?

Dr. **Blanchard.** That is correct. These are the inner city schools that Dr. Shedd described earlier that are very typical of the educational environment earlier described though representing a much smaller number of such schools.

Senator **Hatfield.** Let me point out there, too—for the record—we have an open housing program in our State. This is a housing pattern situation, as we have seen in many other communities, that has created these all-black schools or these majority black schools. They are not locked in, in the sense of failure to sell real estate and housing elsewhere, but it becomes, again, a relationship to the lack of education, the lack of skill, the lack of economics to move out of the ghettos. So it is a de facto situation. But I wanted to point out that, even though we have moved on the legislative front, the economic, educational problems have not been resolved.

Dr. **Blanchard.** And that is producing some dividends, through board of education action as well, but the issue is still a large and a major one for us.

Legislatively Prescribed Fixed Costs

The second very significant factor which has not been commented on earlier—rendering real estate tax resources too inflexible—has been accentuated and accelerated by persistent actions on the part of the State and Federal Governments in passing legislation which results in higher fixed costs in the charges for local school districts. Increases which, in virtually all cases, can only be passed to the local property taxpayer—often at the expense of basic educational programs. Every time Congress raises the Social Security rate; every time the State legislature enacts new changes in retirement, workman's compensation, unemployment compensation, mandatory insurance coverage and so forth, school districts must absorb these costs, and the local property taxpayer is the only source of such revenue. Unhappily these skyrocketing fixed costs have little if anything to do with reading, writing, and arithmetic.

If there is any truly alarming trend in school district finance in the past 5 years, this is it. Squeezed between mounting fixed charges on one hand and a bitterly complaining property taxpayer on the other, school boards are caught in an impossible fiscal vise. Notwithstanding the inflationary rise that has occurred in the past several years, this still is a major factor, at least in our experience.

Competing Claims

Contributing to this jeopardy is the fact that school districts earlier have had a high priority claim on property taxes as price revenue sources. We all know a multiplicity and a growing number of local governmental agencies and subdivisions have been created by legislators to function for one purpose or another, authorizing them to levy real estate taxes: so too has the resistance of voters grown to the competing appeals of the diverse taxing bodies.

A recent survey in my own State revealed over 800 local units of government in addition to cities, counties, and school districts, nearly all depending heavily on the property tax for survival.

THE URBAN CENTER

Problems in obtaining adequate local support for schools are, as we know, intensified to a crisis point for large city schools. Underlying the operation of all city school systems of course is the tremendous change taking place in the social-economic structure of the core city. The massive disruption of social balance in the central city requires compensatory, high-cost educational programs for the increasing numbers of poor children.

In my own city, as in other large cities, vast numbers of established, life-long residents are migrating to the suburbs, and are being replaced by in-migrants in the lower social-economic categories. Those who leave are generally middle class, educated and skilled, and historically have voted yes on school levies.

Obviously, any meaningful attempt to combat this massive disruption of social balance educationally requires more than the average amount of expenditure. Yet State legislatures generally give to the central city school systems substantially less money per child in basic school support than is allocated to surrounding school districts. This is because of the so-called equalization formulas originally intended to resolve financing inequities.

Such factors so adverse to providing extra funds for core area schools may be beyond the powers of legislatures to resolve. Indeed, should uniform tax support for school programs be required, as has now been held by the California Supreme Court, the need for enriched educational programs in the central city may be tragically ignored.

The significant, although insufficient, funds to assist in combating the more intense education problems of the disadvantaged which have been secured by my district from the Federal Government under Title I appropriations and from the State of Oregon by virtue of a modest, special appropriation from the legislature—may be in jeopardy if courts generally are to require uniform financing of education programs.

Senator MONDALE. You see the California Supreme Court case as a mixed blessing, even though you receive only about 18 percent of your support now from the State level, because you see the meager state compensatory educational funds—Title I funds that you now receive may be in jeopardy?

Dr. BLANCHARD. That is a possibility, Senator. I must say that I have read the decision and I think that the reasoning used is generally unimpeachable as it relates to equal educational opportunity of young people.

CITY SCHOOL OPERATION HAS UNIQUE PROBLEMS

I think, however, this specific decision can have the effect of overlooking that which we are discussing. Namely, the unique problems of city school operation, our loss of middle-class population, which is increasing, and also the fact that the higher equalized assessed valuation frequently characterized of the large city is beginning to decline as industrial organization is moving out into the suburbs. Of course, if the latter continues then the effects of that decision may eventually, over time, work itself out. But we in the cities have immediate problems which are much greater than would be resolved by that decision.

Senator Mondale. You have raised a good question. Title I has been poorly financed, as you know. It is about a third. But from what I have been able to tell, most of those funds have gone to the poor, which is almost unique in any Federal, State, or local support program.

Normally money flows in inverse relation to need. This is the one program that has apparently, with all of its problems, tended to flow in the reverse fashion, toward need. You have a similar small program enacted by the Oregon legislature.

The political people in this country who really make the decisions don't see much of a stake for their children in Title I; and, as a result, it has been very difficult to generate decent funding in Title I.

I think all of us have a tremendous stake in that program, but that is not the political reality I fear. So wouldn't we be better off with the general aid formula which had broader public support, assuming you could work out the other problems, then continuing our hopes in Title I?

Dr. Blanchard. Well, I think that you are saying that the general aid formula with an effort such as Title I, or did I misunderstand?

Senator Mondale. I think that is the way it would probably come out. That would be the legal structure. But what would be the political effect? Where would the support go? Would they say, "Well, we are spending money through general aid so that we needn't spend as much for Title I"?

Dr. Blanchard. I think any general aid formula that does not take into account the unique problems facing the urban school systems of this Nation would be to our immense disadvantage. However, I think that the decision of the California court is equally applicable in Oregon where the average evaluation behind each pupil is about $30,000 per child, but the range is $16,926 to $742,000 per child. But I think it requires additional urban effort.

REHABILITATION AND MAINTENANCE COSTS

Beyond the pressing need for extra funding for enriched educational programs for the deprived urban center lies the pressing need to rehabilitate or replace eroded school buildings. Almost half of the school buildings in my city for example are over 50 years old and have received limited maintenance over the years because of inadequate funds. This is an operational area to which we turn very quickly to save money.

As a matter of fact, Dr. Shedd indicated that they moved maintenance to a 4-day schedule. We have likewise, in the context of the shortened school year. Although we could well require $150 million in plant rehabilitation and renewal, a modest first step in obtaining voter approval of a $36 million bond issue was defeated this spring by a 2-to-1 margin.

Clearly one of the very things that will accelerate the exodus of the middle class from the central cities is school buildings made oppressive by the erosions of half a century. Correction is apparently beyond the will or capacity of the local taxpayer to rectify, and this will and capacity in relation to schools in the innercity must be specially judged against the backdrop of the increasing need for local tax dollars to support growing police and fire departments and the many other agencies required in the urban core and on which they are dependent for their health.

No matter how imaginative plans may be for utilizing property as the major source for school support, the decision it seems to me, is inevitable, and it ought to be imminent at all levels of government that the schools will die as viable institutions unless we more successfully find other major sources of revenue for the schools.

STATE TAX SOURCES

Unhappily the State governments, even when they wish to do otherwise, can apparently do little at the present time to alleviate the plight of local school districts. No matter what their tax structures, State after State is struggling, and often most unsuccessfully, with the mounting demands on its fiscal resources. Oregon, for example, placing chief reliance on the personal and corporate income taxes, has fiscal problems which are critical. Indeed, the State's desperate financial situation several years ago led to a raid on our veterans trust fund in an effort to balance the State general fund budget.

Unable to secure major fiscal reform in one legislative session after another, the 1971 Oregon Legislature enacted several additional minor taxes, a 5-cent increase in the cigarette tax and an additional $10 automobile license fee to be shared by cities and counties. Even these have been deferred by citizen petition, a uniquely Oregon phenomenon, and their imposition will be delayed until the 1972 general election, or negated, as a result of that petition.

Oregon is one of five remaining States which do not have a retail sales tax. Every attempt to secure voter approval of such a tax has failed, and the most recent attempt several years ago lost by an 8-to-1 ratio.

The fiscal plight in Oregon has resulted in a declining role in State participation of funding in public education on which I have already commented—Mr. Chairman, I have provided you with a chart reflecting that decline.

THE LAST RESORT

It seems to me that the dependency of all of the people in this Nation on education as a national concern, argue for the use of national resources to support it. Surely the courts have held that the right to education is protected by constitutional considerations. Surely we recognize the courts' findings in legislation at the national level, assuring the right to equality of education for all children.

It appears that the major restraining factors—the inequity of resources, the instability and inflexibility of real estate taxes, the archaic and constitutionally-frozen tax provisions, the flight from the cities, the stranglehold of voters impeding tax reform, the revolt of taxpayers—can be mitigated only at the national level.

In spite of the tremendous fiscal problems facing Congress, it has a taxing power, obviously far exceeding that of any locality and far more capable of assuring more equitable tax impact throughout the Nation. Congress has acted courageously in taking first steps in providing aid to education in many ways.

Surely the plight of the innercity schools and the youngsters living in ghetto areas have been immeasurably aided by the categorical aid from this level of government. But, just as surely, these are only the first steps that have been taken by Congress and I see no alternatives but to obtain adequate funding at the national level.

The nature of this aid is in itself a subject requiring more thorough exploration, but in my experience it seems to me that our answer cannot be found at this time in history by more categorical aids which have heretofore been prevalent. Local school districts must have not only additional Federal dollars, but they must have flexibility in utilizing those dollars for the diverse problems which they face, and for all children which they have enrolled.

SCHOOL SYSTEMS ACCOUNTABILITY CRITICIZED

I am mindful of the comments of Senator Hatfield and you, Senator Mondale, questioning what kind of strings would one be willing to extend. It is my conviction that the school systems of this Nation are subject to severe criticism in the way in which they have been accountable for dollars that they have spent. And I realize that such accountability must be an accompanying feature of general aid. However, I do not believe that the initiation of specific programs in response to local conditions can safely or effectively be implemented from the national level any more than I contend that I can do it from my office as superintendent of schools.

I think what is required is a much stronger educational audit component. I made a recommendation, not too long ago, that such an audit might be an appropriate organizational accompaniment of the State Departments of Education throughout the country. That audit structure would have to be taken out of the line organization and report directly to the commissioner of education or State superintendent. Leadership should be jointly appointed by the U.S. Commissioner of Education. The charge of such an agency monitor would be to the results of the use of Federal moneys or State moneys and thereby account for educational gains or losses.

Senator MONDALE. Thank you very much, Dr. Blanchard, for a most useful statement.

Senator Hatfield.

Senator HATFIELD. Thank you, Mr. Chairman.

Dr. Blanchard, you have performed a very helpful service here this morning.

Would you have any estimate at all in the broadest of terms as to the amount of Federal support that would be necessary to infuse these local school districts with adequate support which is now missing?

Dr. BLANCHARD. Well, obviously Superintendent Shedd and I are somewhat in disagreement, although I think his dramatization of urban school problems is dramatic and reflects the genuine concerns that he has in Philadelphia. I feel that while we have been sliding down the rope during the past decade, Mark Shedd is obviously in midair, and we have a few knots or two left in the rope. I think that as recommended by Thomas Billings in the recent issue of Phi Delta Kappa in situations comparable to Philadelphia it may be that a Federal or State trusteeship is the only answer to the enormous problems that they are confronting. However, Federal operation does not always represent an improvement, as witnessed by the Washington, D.C., public schools.

More generally I feel that urban centers require a minimum of 25 percent of operating costs from Federal funds if they are to respond to the grave problems before them.

Senator HATFIELD. From the Federal Government, sir?

Dr. BLANCHARD. That is correct, sir.

Senator HATFIELD. Now, without any implication here of trying to play one against the other would you have your basic financial problems corrected if you were getting 50-percent State aid at this point in time in the State of Oregon?

Dr. BLANCHARD. I think that the problems and the social conditions and economic conditions reflected in a city such as Portland could, were they to remain static, be resolved financially along with the Federal contribution.

Senator HATFIELD. That is what I meant. Let the record show that we are not eliminating all these other problems that contribute to the educational dilemma, nor are we trying to compare apples and oranges, and so forth, and come out with peaches. There are distinctive characteristics of the two areas, and I am just trying to find here again whether or not money in itself, in a simplistic approach, is going to cure all the problems. I think that you would be the first two men to say no.

Dr. BLANCHARD. I think neither of us would make that contention.

Senator HATFIELD. When you comment, Dr. Blanchard, on the fact that the Federal Government has fiscal problems—and we have great taxing powers, and we could more equitably distribute the tax load around the country—I just want to make this comment. It is not a question in my view of the capacity to distribute tax burden, nor is it the real fiscal problem that we have here. I think we have money to handle these problems. I think the Federal Government has ample money to correct all the ecological problems of air pollution, water pollution.

ALLOCATION OF RESOURCES

To me it is a question of how we allocate the resources that we now have, and merely adding more resources. Taking such resources from the taxpayer, to me, will not solve the problem. And I know that today the major concern of the public is the economic situation. But basically they ignore it and they put their head in the sand, because they are tired and weary and worried about war and military spending. But as long as you take two-thirds out of every tax dollar, as we are doing, and allocate it to military expenditures—with a minimum of impact on our economy—we are not going to solve our economic problems, nor our education problems, nor our ecological problems.

It is not a question of having money or not having money. We have it, but we are spending it in such a stupid way.

I do not want to ever neglect an opportunity to make this point. I think that until people like Senator Mondale and others wage this battle, we cannot offer you any hope of solving the problems that you have presented us, today, or any other socioeconomic problems in this country, as I see it, until we can mobilize enough interest so that if and when, God willing, this thing is undone—that we have been doing over there in Southeast Asia—the pressure will not be on to get a tax reduction instead of meeting these other needs.

Let me tell you right now, I can see it building. It is now becoming a question of what kind of a greater tax cut we will get. We are going to get a tax cut of some kind to stimulate the economy, and yet the President himself is saying we must cut Federal expenditures making it exclusively in the people programs. He exempts the very budget—the military budget—that takes the largest percentage of our tax dollar, $78 billion. This is the third largest budget in the world, exceeded only supposedly by Russia and China. Our military budget is greater than the national budgets of France, Great Britain, and Germany.

Yet we are not getting any hope from the administration that we are going to cut the budget here to help the economy. So all I am saying is I hope you will carry the message—at least from one Senator—that I am totally sympathetic. And, that there is a relevance between my battle on the war front and trying to help solve the educational problems—even though many of my constituents cannot see it that way.

Dr. **BLANCHARD.** I did not indicate, Senator, that additional Federal funds were required.

Senator **MONDALE.** We have a chance right now to vote against cloture. We will take Senator Hatfield's challenge and go over and try to end the draft.

Thank you very, very much for your most useful contribution.

The committee is in recess, to reconvene at 10 a.m., on Wednesday, in room 1318, of the New Senate Office Building.

(Whereupon, at 12:15 p.m., the Select Committee was recessed, to reconvene at 10 a.m., on September 22, 1971, in room 1318, of the New Senate Office Building.)

INEQUALITY IN SCHOOL FINANCE

WEDNESDAY, SEPTEMBER 22, 1971

U.S. SENATE
SELECT COMMITTEE ON
EQUAL EDUCATIONAL OPPORTUNITY
Washington, D.C.

The Select Committee met at 10:10 a.m., pursuant to call, in room 1318, of the New Senate Office Building, the Honorable Walter F. Mondale, chairman of the committee, presiding.

Present: Senator Mondale.

Staff members present: William C. Smith, staff director and general counsel; Donn Mitchell, professional staff; and Leonard Strickman, minority counsel.

Senator MONDALE. The committee will come to order. This morning we are pleased to hear from Mr. Joel S. Berke, director of educational finance and governance program, policy institute of the Syracuse University Research Corp., and Mr. James A. Kelly, program officer in public education of the Ford Foundation, New York City.

You will please come to the witness stand. I understand that you will submit your testimony and then I will question you as a team. I would say you have a substantial statement. It might be best that you proceed.

STATEMENT OF JOEL S. BERKE, DIRECTOR, EDUCATIONAL FINANCE AND GOVERNANCE PROGRAM, POLICY INSTITUTE OF THE SYRACUSE UNIVERSITY RESEARCH CORP.

Mr. BERKE. Senator, on behalf of my colleague, Mr. Kelly, and myself, I want to thank you for the opportunity to be here today. I think it might be useful if I indicate at the outset what we understand our role to be this morning.

We are here not to push a particular point of view or to make a statement calling for some particular action. We are here to sketch, as well as we can, the financial implications of equal educational opportunity, that is to discuss the way the educational fiscal system works and what its relationship is to equal educational opportunity.

We will have recommendations to make and will make our preferences known, but we don't see that as our primary role today.

Senator MONDALE. Then that's excellent. I do want to press you a little bit on your own view as to what we ought to be doing, but the record still needs careful analysis of how the financial support system for our schools works and what the relationship is between the present system's inequality, and then, move from there to some suggestions for solutions.

Mr. **Berke.** Our testimony, which you have, consists, essentially, of four sections. It's a team effort, and we'll divide it up for purposes of convenience this morning with me starting with the first two and Mr. Kelly with the third and fourth sections, but we would like to take questions, if we could, as a team.

Senator **Mondale.** That will be fine.

Mr. **Berke.** Let me just indicate that the four sections will be, first, a discussion of different conceptions of equal educational opportunity; second, an analysis of how the current financial system affects those views of equal educational opportunity; a discussion of the causes of why the system affects equal educational opportunity as it does; and fourth, a section on recommendations.

California Supreme Court Division

Let me begin by saying that we are delighted with the timing of these hearings. They couldn't be more opportune. The recent decision of the Supreme Court of California has brought an unprecedented degree of attention to the ways by which we finance the public schools of this Nation. What is most valuable about this new public concern is that it is focused not simply on the question of adequacy of financing—in other words, do we have a sufficient total amount to run the schools—but rather, it's addressed primarily to the equity of educational finance—in other words, are the burdens and benefits of school support fairly distributed.

In short, by declaring that California's system of school support—which is a fairly typical system of school support—unconstitutional because it discriminates against children who live in poor communities, *Serrano* versus *Priest* pointed a spotlight at a neglected area of national disgrace—the persistent patterns of inequity in school finance.

Senator **Mondale.** Is there any State today in which the school district does not rely upon real estate tax exaluations?

Mr. **Berke.** Senator, I would say that there is possibly only one State in this Nation which would not be subject to the same kind of attack as that made in *Serrano* versus *Priest*, and that would be Hawaii.

Senator **Mondale.** What do they have, a State-supported system?

Mr. **Berke.** That's right, Senator. The problem quite simply with these financial inequities is that they guarantee that children who come from the most wealthy and prestigious communities will ordinarily be provided with the best education the public schools can give, while those who begin life with the disadvantages of impoverished family and neighborhood backgrounds will be relegated to second-class schools. A better definition of inequality of educational opportunity would be hard to devise.

We know, sir, that you will be having a session next week, I believe it is, with Professor Coons, Mrs. Carey, and Professor Yudof, to go into the *Serrano* decision in some detail. We won't stay with it long, therefore, but I do want to make one more comment about that case: the California case will not give us a solution to the problem of inequality of educational opportunity. Even if that decision comes to be the prevailing law of the land it will provide only an opportunity, not an answer; only a starting point for reform, not an antidote to the unfairness and irrationality of the present system of finance. Justice Sullivan's opinion says only that the school finance systems should not "invidiously discriminate against the poor by making the quality of a child's education a function of the wealth of his parents and neighbors."

DECISION A CHALLENGE TO ALL

How educational resources should be allocated is a matter for legislatures to determine, and the range of alternatives and their differing effects on equality of opportunity is very broad. *Serrano* versus *Priest*, therefore, is a challenge; a challenge to State legislatures, to this committee, and to the Congress of the United States to develop techniques and systems of public finance that help rather than hinder the quest for equal educational opportunity. We are taking as our challenge today and in the future to help this committee and other policymakers to understand the seriousness of financial problems of inequity and some of the alternatives that may resolve it.

Senator **MONDALE**. By that do you mean that the *Serrano* case, if it were the national rule of law, simply says that no State may permit, in effect, unequal financial inputs into school systems but it does not answer the question of how best to apply financial resources or the question of how best to assure that the money is wisely spent for the best effort? Is that what you're saying here?

Mr. **BERKE**. I would agree, but I would phrase it just a little differently. *Serrano* versus *Priest*, as I understand it, says only that the resources available to the schools may not be determined by the wealth of a particular community within the State.

Senator **MONDALE**. Yes.

Mr. **BERKE**. Now, this permits a variety——

Senator **MONDALE**. Within the district?

Mr. **KELLY**. District, right.

Mr. **BERKE**. Variations in wealth among districts may not, according to *Serrano*, determine the quality of the schooling; only the wealth of the State as a whole.

I think the point is that one permissible alternative as a result of *Serrano* versus *Priest* is equal resources per child in the most obvious sense of equal dollar expenditures. But other alternatives are also permissible. A State may focus, as your own statement yesterday opening these hearings, I believe, indicates, may focus resources much more heavily in areas of educational disadvantage, to take one example.

The point is that *Serrano* versus *Priest* says the only thing that's ruled out is that local district, by its wealth, may not determine the level of schooling.

Senator **MONDALE**. And of course, the *Serrano* case leaves, as you mentioned, interstate differences.

Mr. **BERKE**. Intrastate, interdistrict.

Senator **MONDALE**. No, I mean the difference between, say, the ability of the State of Mississippi to deliver decent resources within any district as compared to, say, New York State or one of the other wealthier industrial States, at least at this point, is not accepted as a Federal rule. It could be. It could evolve into that, but that, I think, is a very important element.

I think some of these poor rural States are unable, despite efforts, to give decent minimum education. Do we have any figures on that? Are you going to be dealing with interstate differences?

Mr. BERKE. We'll not be emphasizing interstate differences in our testimony today. We have some data, however, that does note those and we'll be happy to supply them.

Senator MONDALE. All right. Then, I would ask the staff to make certain the record shows some of the crucial data about interstate differences, including effort per capita.* For example, Mississippi has a per pupil expenditure of $495; New York, $1,245. Of course, there are differences in the cost of education.

In Mississippi, there are school districts that only pay $283, but I think I should also say that Mississippi is probably making a higher effort for the small tax base that they have, so I'd like to have some data that shows this difference. Very well.

Mr. BERKE. Mr. Chairman, I would just call your attention to the fact that our testimony today is a summary of a larger report we'll be submitting to your committee, and we'll deal with differences of that kind in that report.

Senator MONDALE. Oh, good. That will take care of the report.

Mr. BERKE. Now, Mr. Chairman, I think it would be useful to begin the substantive part of our discussion by discussing the notion of equal educational opportunity and trying to provide some clarity in an area where there's often vagueness. Our intent is to help this committee to sort out these various suggestions and to see their implications.

TWO MAJOR DISTINCTIONS

As a start, we would suggest that there are two major distinctions. In the first category are those conceptions of equal educational opportunity which emphasize equity in the distribution of educational services and their outcomes. The second major perspective sees equality in education primarily in terms of how the costs of education are distributed. Most conceptions of equality of educational opportunity suffer, we would suggest, because they fail to concern themselves with both sides of the problem—equity in the distribution of education as well as equity in bearing their costs.

We turn now to the first category of concepts of equal educational opportunity, and we begin with what is probably the most widely prevailing concept, namely, absolute equality or identity in the level of educational services accorded to all children. Such a view frequently measures the level of services in terms of equal per pupil expenditures or equal expenditures adjusted for cost differentials or else by some crude index of the quality of education, such as equal pupil/teacher ratios or the like.

This view of the requirements of equal opportunity in education is frequently voiced by those who have been so impressed and distressed by the marked disparities in school services that they turn to its converse—absolute equality—as a ready remedy. Besides stressing its simplicity, those who favor this test also suggest it as a useful minimum step in moving toward full educational equality because it would serve as an immense advance over the current system which regularly works to the disadvantage of the poor and the minorities.

It is our view, however, that this is a case where the better is the enemy of the best, and that acceptance of a definition of equal opportunity in terms of equal expenditures or services for all children flies in the face of what we know about the differential learning aptitudes of children or what we take to be a dominant goal of American education; that is, to further social mobility. To be meaningful, we would suggest a theory of equal educational opportunity must take into account both the purposes of education and what we know about how children from different backgrounds and with differing abilities learn.

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* See Part 16D, Appendix 2

And so, I'd like to turn to a conception of equal educational opportunity which is services related to educational need. A primary function of public education in America has been its role as a vehicle for social mobility. The goal has been to equip children of moderate means and meager status with the skills needed to compete on equal terms in the search for a good life with children of higher station and greater wealth. While as a personal matter education may well be seen as an end in itself, as a public service education is a means to a number of civic and economic ends, chief among them being equal opportunity in the competition of life.

Goals of Equal Educational Opportunity

Equal educational opportunity, therefore, should be intended to serve that larger goal, and as our society has come to place increasing emphasis on credentials, degrees, and technical training, the role of education has become even more important in determining life chances. Meaningful equal educational opportunity, therefore, must equip children from any background to compete on equal terms with children from any other level of society.

The implications for public policy that spring from this understanding of the goal of equal educational opportunity are clear: More services must be focused on those with disadvantages in their ability to succeed in school so that when their basic education is completed, children from differing racial and economic groups, as nearly as possible, stand on an equal footing in terms of educational attainment with children who began school with greater advantages.

Individual differences in achievement there must always be, but equal educational opportunity requires that educational resources should be distributed to offset societal and inherited impediments to success in life. In short, equal educational opportunity means that services and thus expenditures should be related to educational need as defined above.

Now, neither Mr. Kelly nor myself would minimize the practical difficulties in implementing this kind of an approach to equal educational opportunity. We both know about the questionable results of large-scale efforts at compensatory education. We know that educating the children of the poor and of racial minorities is one of the things American schools do worst. We are not unaware either of the evidence of the relative impotence of schooling in comparison with out-of-school influences on children.

In our previous research, we have both struggled with techniques for identifying educational need, both on the basis of admittedly imperfect achievement tests and on the basis of social and economic indexes of need. And yet, with all the problems associated with it, allocating resources in proportion to educational need seems an indispensable part of a meaningful public policy designed to foster equality of educational opportunity. We shall use this view as one of the tests by which we shall subsequently measure the degree of inequity in the financing of education in the United States.

Senator **Mondale**. Is it your position that even though the data on the question of the achievement of equal education is vague and often contradictory, that come down solidly that among the things that must be done to achieve that effect must be adequate financial resources for the schools?

Mr. **Berke**. Yes, sir.

Senator **Mondale**. You don't see restructuring as an alternative that can be substituted for the inadequacy of funds? Such things as community control, integration, or some of the other techniques that presumably don't have as great a financial implication.

Mr. **Berke**. I'd like Mr. Kelly to address this question as well, but I think neither of us would indicate that it's only dollars that are going to make a difference. There are a variety of things that must be done along with increasing resources to make our schools more effective at teaching children or helping children to learn.

Senator **Mondale**. Didn't Coleman indicate that that's what he thought he was going to find, but the more he looked at it, the relationship of equality and achievement was far more attuned to social economics than it was to financial input and, therefore, changed the nature of his recommendations?

Mr. **Kelly**. Senator Mondale, I am aware of the length of time you have been studying the implications of the Coleman report and tactical arrangements to its validity.

Senator **Mondale**. I haven't read it. I always talk to people who have read it—I hope they have read it, but I haven't.

Mr. **Kelly**. I think the position Mr. Berke and I would take, and I would suggest is the only responsible position on that kind of research, is that it's not conclusive. There are giant technical flaws in that piece of work as other people who have testified before your committee in the past have indicated.

I'm sure Mr. Coleman himself, if he did that study today, wouldn't do it the same way that he did then. The inner guts of the techniques that he used were highly influential in determining the substance of the conclusions that he reached. I have followed the research on educational achievement and its correlations with social-economic conditions, and there is no conclusive way at this point in time to establish that school money is infinitesimally, or somewhat, or highly significantly associated with educational achievement.

No Conclusive Data

We just do not now have conclusive data on that. We have data which do suggest that schooling in its present delivery patterns, does not break out of the old social-economic background difficulties that children have in school or advantages that children bring to school. We are not taking an antireform position here at all, but if I could go on for a second, there are three kinds of positions people can take about educational finance in the public policy area. They can say, as suggested yesterday, perhaps, the major problem is more bucks—we must have more dollars, we must have them fast, and they must come by the trainload full or we're going to die. We don't take that position.

There's another extreme position which says that sending any dollars into this presently corrupt system is not only not going to be efficient, but it's immoral, and what we need are shift in powers and we need significant reforms in the techniques of education itself.

The problem is so complex, and our absolute knowledge about what will work and how it will work is so meager that I don't think it's responsible to take either of those extreme positions. To say that what we need to do is reform schools through integration or other techniques, and yet, not try to attack a State and local fiscal system that deliberately provides more money for anything that you want to do in school to the children in rich districts rather than poor districts does not strike me as consistent with equal educational opportunity. So we're in the middle.

Senator MONDALE. I think you quite rightly say that the data and research in these speculative areas do not provide definitive answers, but do you know of any studies that show that more money for poor schools has made a difference?

Mr. KELLY. Well, I think that there are studies which show that things which are purchasable through money have some relationship, some association with educational achievement. I think that the study* that was done by Mr. Guthrie, Mr. Levin, and others in the State of Michigan 3 years ago using Mr. Coleman's own data for the State of Michigan, found that if you take the poorest on a social-economic index, the poorest children in Mr. Coleman's sample in Michigan had significantly higher mathematical and achievement tests if their teacher had higher verbal scores, and their school had better library resources and so forth.

In other words, children of the poor did better in school where those factors were higher.

Senator MONDALE. It wasn't a very big difference, though, was it? It was a modest one?

Mr. KELLY. It was modest in absolute size, and again, we have to debate the meaning of the technical argument.

Senator MONDALE. Would you, both of you, like to respond by letter† to this whole matter and put it in the record, if you would?

Mr. BERKE. We'll be delighted to.

Senator MONDALE. I think that's pretty much what you are saying here, but that's one of the central questions in America and one of the central questions we have to grapple with, and of course, we probably won't have an answer. We'll just have to make some discussion based on the most likely possibility.

I find it hard to believe that money doesn't make a difference. Children come to school hungry, and get something to eat—that's bound to help; they have better textbooks rather than poorer; they have better teachers rather than poorer; better facilities instead of ones that are ugly and depressing, and I really can't believe it won't make a difference. Yet, we have quite a few responsible educators and educational researchers who say it doesn't make much difference, if any.

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*See Part 16C.
†See Committee Print: Financial Aspects of Equality of Educational Opportunity.

Mr. KELLY. Well, within the money ball park itself, we are primarily addressing ourselves today to the equity with which differing populations have access to the dollars for whatever they wish to structure in the way of education.

Senator MONDALE. So, in essence, the question I am asking you is a little off the point of your report, so we probably ought to get back to that.

SCHOOLS LESS THAN EFFECTIVE

Mr. BERKE. If I may make just one last comment on this topic, because it's one of such central importance. It seems to me that if the schools are not as effective as we would like them to be—and I think they are not, as are few of our institutions, I admit—one of the applications of money that's not the subject matter of our comments today, but that I would think deserves mention at this point, is to the ways in which we can make them more effective; the kinds of applied research that's needed, particularly in the area of teaching poor children; some of the techniques that are being suggested for helping teachers to teach better; not just basic research. That's important, but applied and developmental research and some fairly, oh, what shall I say—some fairly down-to-earth and ordinary notions about how you use teachers and students' time more effectively are needed. I believe Mr. Bailey, in his testimony or in his comments on Mr. Kirst's paper later in this set of hearings, will have some comments precisely on how money can make a difference both in the research area and in the actual work of the teachers.

I have just been discussing the view of equality of educational opportunity that relates to the services side of the question. Let me turn now to equal opportunity as equality in bearing the costs, because I think how the costs of education are distributed is another important theme in all these discussions, and in the discussions of this committee, I'm sure.

Indeed, much of the court's concern in *Serrano* versus *Priest* was directed to that question. Their finding that poor communities which taxed themselves at higher rates were frequently unable to support educational services at as high a level as richer communities taxing themselves at lower rates had very heavy weight in determining the court's decision.

POWER EQUALIZING PRINCIPLE

Now, one possible interpretation or one possible outcome of the *Serrano* decision would be a system arranged so that communities making equal tax effort receive equal educational services, and you will be hearing from the persuasive spokesman for that view, who are also Prof. John Coons and Mr. Stephen Sugarman. They argue that the right of local school districts to select different levels of educational offerings should be maintained, but that each community should have equal opportunity to select any given level of educational expenditures.

State aid would make up the difference between the yield of millage levels in districts with differing tax bases. Thus, the State, in this view, would guarantee that equal tax effort would produce equal education, so far as dollars can buy it. The principle of power equalizing, as they call it, could theoretically be extended to the family level as well as to the school district, but the principle remains the same. In either case, the test of equity is the power of equal tax effort to purchase equal services. It is consistent, it would seem, with one of the familiar principles for judging the fairness of a revenue system: Payments in proportion to benefits received.

Now, while this notion of benefits in accordance with payments is one possible definition of equity, a criterion that seems far more in keeping with modern democratic ethics and more in keeping with the preferences of the two witnesses today, is taxation proportional to one's, or to a school district's ability to pay. This criterion of equity underlies the graduated income tax, for example, and would be approximated by systems of State or Federal aid for education which used a sophisticated measure of community wealth as the criterion for school aid allocations, or indeed, the income levels of the people of the district.

Patently, for many school systems the amount of taxable property per pupil is an inadequate measure of their ability to pay, and income is more realistic. In addition, a measure that takes account of the greater demands of a wider variety of public services in urban areas should also be used.

In short, in establishing a definition for equality of educational opportunity, the way in which costs of education are distributed is an important component. Our preference in developing such a definition is for a system which distributes the costs of education in proportion to a realistic measure of a community's or the individual's ability to pay. For educational finance, the adoption of this goal would call for new approaches to equalization in most States of the Nation.

And I would depart briefly in the text at this point to indicate that it's most important to realize that the simple statement that a State has an equalizing system of State aid must always be examined for its real effects and its real impact.

Current System of Financing Fails

In both the distribution of services and in the methods for supporting these services a number of definitions of equality of educational opportunity are available. While we have expressed our preferences among these competing criteria, what is probably most important for this committee to note is that regardless of which of these tests of equity one wishes to apply, the current system of financing public education in the United States fails to qualify.

In short, there is no recognized test of equal educational opportunity which our current system of education finance is able to meet. In the next section of our testimony, we'll turn to some examples of the evidence from which we drew that conclusion.

So, we turn now to the problem of inequities in school finance, and we present some brief data here of what the situation is. I think it's useful to put the magnitude of American public education on the table at this point. It's a breathtaking enterprise. It's one which is designed to educate all children through age 16 and at the present time we have public schools enrolling nearly 50 million students and spending over $40 billion. Indeed, almost 50 million Americans were thus involved on a full-time basis in public education; more persons than are found in any other segment of American life.

Senator MONDALE. Do we have figures on the number in private schools and the amount being spent on their education? I saw a figure that about 12 percent of the children in this age group are in private schools. I wondered what that number was and how much was being spent in private education. Can we get that information? I think that it should be included in the record.

Mr. KELLY. Senator, I believe you can get accurate figures on enrollment, but there are no adequate data on expenditures in private education.

Senator MONDALE. Is there a good guess?

Mr. KELLY. We'll do our best to provide it for you.

INCREASE IN SCHOOL EXPENDITURES

Mr. BERKE. Total expenditures for public education have risen dramatically in the last decade. They have increased by 153 percent from $15.6 billion to $39.5 billion. During the same period enrollment increased from 36.1 million to 47.2 million, and that's 36.1 enrollment rise when expenditures rose 153 percent.

Expenditures for public education have risen more rapidly than general indexes of the Nation's wealth. Public school spending absorbed 2.3 percent of the gross national product in 1949. By 1967, we were spending 4 percent of the gross national product for schools. During those years, the GNP increased at an average annual rate of 6.4 percent while school expenditures rose at an annual rate of 9 percent.

And as you have already indicated, Senator. these are only the direct costs of the public educational system. We don't include the private school funding and we don't include some of the other more wide notions of education. We have educational acivities in industry, in Government, and in the Army educating millions of people. We have the indirect costs which exist in the size of the earnings that are foregone by students who attend school rather than obtain employment. and indeed, the estimates of that figure are in the range of $20 to $30 billion in 1967, assuming that approximately three-quarters of the children in the age group would have been employed if they so desire.

Senator MONDALE. And you could also add to that, I suppose, the value of educational services provided at home.

Mr. BERKE. Yes, sir.

Senator MONDALE. What's the value of a middle-class college-educated mother in dealing with her children? There have been studies on it——

Mr. KELLY. Particularly, the earlier years.

Senator MONDALE. In the State of Michigan it showed that's worth several thousand dollars if you try to buy it.

Mr. BERKE. The notion that early education is something new is an anomalous one when you take these factors into consideration and the proposals that we have all heard for large public expenditures on early education of the disadvantaged, which shocks some people, simply ignore the large expenditures which are currently being made on the earlier education of those who are more favored. In short, I agree with you.

Despite the massive expenditures America is devoting to education, we still face a fiscal crisis in education, and that's another anomaly. This committee heard just yesterday the words of school superintendents describing the cutbacks in educational quality they are being forced to make because revenues do not keep up with costs—costs are outrunning revenues—and yet, despite the serious plight of many school systems, the greatest financial crisis is not the overall inadequacy of public spending for education, although this is serious. The real crisis is a crisis in equity, not adequacy, for if substantially more funds were miraculously forthcoming tomorrow, under present patterns of allocation inequality of educational opportunity would be as great then as it is today.

VARIATIONS IN EXPENDITURES

Variations in expenditures across the Nation are spectacular. A careful study some years ago found variations of classroom expenditures across the Nation of nearly 4 to 1, and this was after the obviously freak or unrepresentative districts had been eliminated, and these are figures, Senator, which appear on page 9 of our testimony.

Senator MONDALE. That will be included in the record.*

Now, let's take the 98 percentile; that's $13,177 per classroom. Is that the capital cost as well as the teaching costs?

Mr. BERKE. I believe these are operating expenditures.

Mr. KELLY. They exclude capital.

Senator MONDALE. The teacher and teaching materials and equipment——

Mr. KELLY. The operating costs that are associated with that space.

Senator MONDALE. So that some schools are spending $13,177 for classrooms while——

Mr. KELLY. The second percentile figure.

Senator MONDALE. While the second percentile, which is equivalent at the other end $3,410.

Mr. KELLY. Those are national figures.

Senator MONDALE. All right.

Mr. BERKE. The point of the classroom unit, incidentally, Senator, is to get as nearly as possible to the direct cost of education and exclude the kind of things you were mentioning.

Within individual States high-spending districts outspent their low-spending neighbors by better than 2 to 1, and a quick check of current data which has been recently pulled together for 1969 and 1970, showed even higher ratios.

Now, the two studies are noncomparable. That table appears right after page 10 and for each State it shows in the first column the high expenditures, in the second column the low expenditures, and in the third column, an index of the first to the second, so that we find that in Alabama—or let's look at Alaska, as an example. The high, low, index is nearly 4 to 1—$1,800 in high expenditures, $480 in low expenditures.

Senator MONDALE. What's the third column—3,771?

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*See prepared statement of Mr. Berke and Mr. Kelly, p. 6652.

Mr. **Berke**. That's 3.771, and it means that if you divide the low expenditures into the high expenditures, you find that the latter are out spending the former by nearly 4 to 1.

Senator **Mondale**. Three point, not 3,000?

Mr. **Berke**. That's right.

Senator **Mondale**. 3.771?

Mr. **Berke**. That was a typographical error that they appeared as commas rather than periods.

Senator **Mondale**. OK.

Extremes in Per Pupil Expenditure

Mr. **Berke**. And you can see as you scan some of those figures that there are, excluding even some of the obvious freak districts such as the one in Texas which spends 20 times or $5,000 a pupil as compared with the low expenditure districts like $264, that as you look up and down these columns you find divergencies of 2, 3, 4, 5 to 1 not uncommon, which is a shocking figure. It suggests that our society is spending five times more resources on some children than on others, and as we shall show subsequently, those higher expenditures are regularly devoted to children who are more fortunate, with higher status family background and more advantages.

One of the major inequities in educational finance is that variations in expenditures tend to be inversely related to educational need, and the following teacher and expenditure data, I think, show that pretty clearly Senator, if you want to look at the table which follows, what we have done is to take some of the largest cities in the Nation and unashamedly put right next to them their best suburban school system. We show both expenditures per pupil and pupil teacher ratios. We are not saying that we are comparing averages. We are comparing contrasts.

Senator **Mondale**. So that Los Angeles is spending $601 per pupil; Beverly Hills almost double—$1,192; pupil/teacher ratio is 27 to 1, as compared to 17 to 1 in Beverly Hills; Chicago is $571 and $757 in Evanston; Detroit is $530, Grosse Pointe $713; New York is $854, Great Neck, $1,391, and so on?

Mr. **Berke**. That's right. In every case, city students have less money spent on their education and higher pupil/teacher ratios.

Suburban Outspending Urban Districts

In a recent study of five large industrialized States, where we did not take just the contrast as we are in this table, but we took a fairly random sample of school districts, 573 school districts, we found that in four out of our five States, the suburban districts were outspending the city districts by $100 per pupil. This is a regular pattern, and we would suggest an inverted pattern, when we take into account the different types of pupils in those two school districts.

Senator **Mondale**. Has anybody attempted to set up a model per pupil expenditure level based on differences in background and costs in the community and contributions of parents and that sort of thing to see if you could make any adjustments?

Mr. **Kelly**. Are you asking if there are figures available that suggest what is the proper level of educational expenditures?

Senator MONDALE. Take a ghetto school in a high-cost central city, and an all-white upper-middle-class school in the richest suburb. Has anybody made some value judgments as to what a fair contribution based on the need would be in one district as against the other, and then compared the spread in the differences?

Mr. BERKE. One attempt at that was something you alluded to earlier; Dennis Dugan, a statistician and economist, put an economic value on the additional advantages which the middle-class youngster got from the value of home teaching, for instance, and parental upbringing, and then calculated, by highly sophisticated economic techniques what the costs would be to equalize the advantages of the more advantaged pupils. His figures suggested that, at the ninth grade level, annual expenditures of approximately $2,000 per year would have been necessary to compensate low SES pupils for the higher value of parental influences which higher social status children received.

Senator MONDALE. You said you would need about a $6,000 a year difference?

Mr. BERKE. I could supply the figures to the committee, but it was essentially this kind of a figure: $2,000 per year. It was a very large recourse investment that was needed to equalize and calculations of that kind have been made.

Let me show some direct correlations between community wealth and school spending. Here we turn away from the city-suburban disparity and we have ranked suburban school districts to show a clear pattern of higher-quality education in districts with higher economic status. For example, correlations between the rank in property value and the rank in per pupil revenues is virtually perfect in the table which follows, despite State aid systems which are presumably equalizing, and Senator, I hope I'm not taxing you by calling your attention to this, but this table looks at five major metropolitan areas: Boston, Los Angeles, New York, Houston, and Detroit. It's from that five-State study of which your committee has republished one of the reports. It's called, "Federal Aid to Public Education: Who Benefits?" and it's a committee print.*

This table, however, does not appear in that report. We have ranked the school districts outside the central city in four categories: High valuation per pupil, moderately high, moderately low, and low. Next to that we have, besides showing the number of school districts in each case, we have shown the revenues per pupil available and to take the example of Boston, the high property valuation districts were spending an average of $824 per pupil; moderately high $780; moderately low $760 per pupil, and the low income suburban area or areas in the outer ring outside the city were spending less than $600.

Senator MONDALE. Does that per pupil revenue include all sources, Federal, State, and local?

Mr. BERKE. Yes, sir.

Senator MONDALE. So that any claim refutes—for example, Massachusetts—that the State aid equalization program is working; it shows that the lowest property valuation districts are over $200 below the per capita expenditures of high valuation districts; is that correct?

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Mr. **Berke**. That's correct.

Senator **Mondale**. And this is Federal and State and everything thrown in?

Mr. **Berke**. That is right. And I think as you go down the other four columns, the patterns are regular. In each of these States, each of which would claim to have an equalizing State aid system, the high valuation districts end up with higher expenditures than the low valuation districts. The regularity of these figures would make them almost suspect and if I hadn't had a hand in the research and the preparation of these tables, I would ask to see the data behind them.

Senator **Mondale**. Yes.

Mr. **Berke**. Now, in table 5, which follows, we do the same kind of thing for median family income. And, again, we find a pattern of higher school revenues the further up in the income scale one goes with only two small exceptions in the entire table.

Rich Get Richer

In short, "them that has gets," when it comes to distribution of school resources in these five major metropolitan areas. Again, we need not labor on this table, but for those who feel that income is a better measure than property valuation of a community's wealth, we have put this table together, and, again, the same kind of fourfold ranging from high to low in income categories shows essentially the same pattern in school expenditures.

Now, these examples are not isolated instances. They are duplicated in countless studies and can be found in the official reports for virtually every State in the Nation. They are typical examples of the fiscal roots of inefficiency and inequality of education that characterize the financing of American public education. The immediate impact of educational finance occurs, however, in schools.

Senator **Mondale**. On page 12, you say, since the mid-1960s there has been evidence suggesting intradistrict discriminatory patterns are weakening or yielding to very mildly compensatory ones. In other words, intradistrict expenditures, in your opinion, are becoming more equitable.

Mr. **Berke**. Mr. Chairman, again the data is elusive. There are now only a few places where there is good data within districts on school-by-school variations in spending. However, from the studies I have looked at and from studies we have completed ourselves for New York State's Commission on Cost Equality of Education, it would seem that there may well be a diminution of the differences between schools within a district, and largely the reason is Title I of the Elementary and Secondary Education Act.

Senator **Mondale**. That may have had more value to schoolchildren than the money it actually delivered, right, because at one time there were rather dramatic intraschool differences within the same district, were there not?

Mr. **Kelly**. Of course, many of the same political forces that led to the passage and continuation and gradual increase of Title I were active at the local level. We are trying to smooth out the relative resources. But there was an interaction there.

PATTERNS OF DISTRIBUTION

Senator **MONDALE**. Would you care to say that phenomenon you found in New York is now a national pattern?

Mr. **BERKE**. I would not want to make any kind of definitive claim as that on the basis of such flimsy evidence. I am talking of a study of Chicago, and three districts in New York, and I believe there is some evidence in Detroit that suggests that as well. Fortunately, you will have Mr. Hobson to talk about the situation in Washington, of which I would not speak. I would not want to make any strong statement of what the situation is nationwide. However, I think one thing that we do see is that it is mandated programs like Title I, on which there are strong requirements as to where those moneys should be spent, that are causing this change where it is occurring.

In New York State we are able to separate out—and it is not easy—the use of funds from unrestricted State sources and from local revenues as opposed to the Federal aid moneys and mandated State sources. We found that the equalization that is occurring in the districts, the mild compensatory pattern that is occurring, is coming entirely from the Federal funds and the State funds.

When you look at what local districts are doing with locally raised revenues and the State aid that comes to them, you still see patterns which are somewhat inverse to need.

Senator **MONDALE**. What is the best source of data on that, or is there one?

Mr. **KELLY**. The only people in the United States right now who are studying this as a matter of research, is the Syracuse University study directed by Mr. Berke. The Office of Education is trying to drag some information out of local districts, but the data are not now available.

Senator **MONDALE**. In other words, we are able to get precise data on interstate——

Mr. **KELLY**. Interdistrict but not intradistrict. The reason for that is that school accounting practices over the past many, many years have not kept intradistrict data. The data do not exist in local school districts. Local districts are beginning to revise their accounting systems to allocate funds by school. Those processes of revision have begun, particularly in large systems which are experiencing a complicated political battle as to who is getting the money in the city, places like Detroit, for example, and Philadelphia.

Mr. **BERKE**. Senator, I will make one more comment on the intradistrict resource allocations and then close my part of the testimony. And that is that while we can see the somewhat heartening fiscal patterns—heartening in our view in comparison with the past—that about the same or even somewhat more funds go to the schools with the higher proportions of educationally disadvantaged, still, there are activities in those schools and staffing patterns and teacher assignment patterns which cut in the opposite direction. Our studies showed, and we can present some evidence to the committee on it, that in terms of inexperienced teachers, new teachers, and in terms of some other services, that schools with the most disadvantaged were still treated the most shabbily.

Senator, I think that, at least as far as direct testimony goes, I will close my section. I have dealt with the definition of equal educational opportunity, and the way the system of educational finance relates to that important goal. Mr. Kelly will turn to the causes of these inequities.

PREPARED STATEMENT OF MR. BERKE AND MR. KELLY

The Financial Aspects of Equality of Educational Opportunity

THE CALIFORNIA DECISION

The timing of these hearings could not be more opportune. The recent decision of the Supreme Court of California invalidating that state's system of educational finance has brought an unprecedented degree of attention to the ways by which we finance the public schools of this nation. What is most valuable about this new public concern is that it is focused not simply on the question of *adequacy* of financing, (i.e. is the total amount of school support large enough?) but rather it is addressed primarily to the *equity* of educational finance, (i.e. are the burdens and benefits of school support fairly distributed?). In short, by declaring that California's system of school support—a system that is fairly typical of school finance plans in other states—unconstitutionally discriminates against children who live in poor communities. *Serrano* v. *Priest* pointed a spotlight at a neglected national disgrace: the persistent patterns of inequity in school finance.

These financial inequities lie at the very heart of the problem which this committee is examining, for they guarantee that children who come from the most wealthy and prestigious communities will ordinarily be provided with the best education the public schools can give, while those who begin life with the disadvantages of impoverished family and neighborhood backgrounds will be relegated to second class schools. A better definition of inequality of educational opportunity would be hard to devise.

We are aware that this committee has scheduled a hearing devoted entirely to the legal implications of the California case for next week, and we will, therefore, not remain on that topic for long. But there is one point that must be emphasized above all others. Even if the California decision comes to be the prevailing law of the land, it will provide only an opportunity, not an answer, only a starting point for reform, not a solution to the unfairness and irrationality of the pattern of education in America. Justice Sullivan's opinion for the 6–1 majority says only that school finance systems [should not] "invidiously discriminate against the poor [by making] the quality of a child's education a function of the wealth of his parents and neighbors." How educational resources *should* be allocated is a matter for legislatures to determine, and the range of alternatives and their differing effects on equality of opportunity is broad indeed! *Serrano* v. *Priest* is a challenge—a challenge to state legislatures, to this committee, and to the Congress of the United States, to develop techniques and systems of public finance that help rather than hinder the quest for educational opportunity for children in all the states of this nation. And we take as our challenge the task of assisting this committee and other policymakers to understand the seriousness of the problem and some of the alternatives that may help to resolve it.

To that end our testimony today and the larger report we shall shortly be submitting to this committee will consist of four parts. First, as a means of providing clarity in an area often characterized by vagueness, we will begin by defining our understanding of the concept of equality of educational opportunity. Next we will describe the patterns of fiscal inequity that exist among and within school districts. Third, we will explain the reasons for these disparities, examining the role of local, state, and federal programs. And last, we will advance several suggestions for moving toward more equitable patterns of school finance.

UNDERSTANDING EQUALITY OF EDUCATIONAL OPPORTUNITY

Like democracy and justice, equality of educational opportunity has almost as many definitions as it does definers. Rather than simply adding our own preferences to those of our many predecessors, we would like to assist the committee to sort out the central themes in the differing approaches.

As a start, we would suggest two major distinctions. In the first category are those conceptions which emphasize equity in the distribution of educational *services and their outcomes*, educational achievement. The second major perspective sees equality in education primarily in terms of how the *costs* of education are distributed. Most conceptions of equality of educational opportunity suffer because they fail to concern themselves with both sides of the problem, equity in the distribution of education as well as equity in bearing their costs.

EQUAL EDUCATIONAL OPPORTUNITY AS EQUITY IN EDUCATIONAL SERVICES AND ACHIEVEMENT

ABSOLUTE EQUALITY IN SERVICES

We begin with what is probably—in our eyes unfortunately so—the most widely prevailing concept of equality of educational opportunity, absolute equality or identity in the level of educational services accorded all children. Such a view frequently measures the level of services in terms of equal per pupil expenditures or equal expenditures adjusted for cost differentials, or else by some crude index of the quality of education such as equal pupil-teacher ratios or the like. This view of the requirements of equal opportunity in education is frequently voiced by those who have been so impressed and distressed by the marked disparities in school services that they turn to its converse, absolute equality, as a ready remedy. Besides stressing its simplicity, those who favor this test also suggest it as a useful minimum step in moving toward full educational equality because it would serve as an immense advance over the current system which regularly works to the disadvantage of the poor and the minorities.

It is our view, however, that this is a case where "the better" is the enemy of "the best," and that acceptance of a definition of equal opportunity in terms of equal expenditures or services for all children flies in the face of what we know about the differential learning aptitudes of children or what we take to be a dominant goal of American education, i.e. furthering social mobility. To be meaningful, we would suggest, a theory of equal educational opportunity must take into account both (1) the purpose of education and (2) what little we know about how children from different backgrounds and with differing abilities learn.

SERVICES RELATED TO EDUCATIONAL NEED

A primary function of public education in America has been its role as a vehicle for social mobility. The goal has been to equip children of moderate means and meager status with the skills needed to compete on equal terms in the search for a good life with children of higher station and greater wealth. While as a personal matter education may well be seen as an end in itself, as a public service education is a means to a number of civic and economic ends, chief among them being equal opportunity in the competition of life. Equal *educational* opportunity should be intended to serve that larger goal, and as our society has come to place increasing emphasis on credentials, degrees, and technical training, the role of education has become even more important in determining life chances. Meaningful equal educational opportunity, therefore, must equip children from any background to compete on equal terms with children from any other level of society.

The implications for public policy that spring from this understanding of the goal of equal educational opportunity are clear: More services must be focussed on those with disadvantages in their ability to succeed in school so that when their basic education is completed, children from differing racial and economic groups, as nearly as possible, stand on an equal footing in terms of educational attainment with children who began school with greater advantages. Individual differences in achievement there must always be, but equal educational opportunity requires that educational resources should be distributed to offset societal and inherited impediments to success in life. In short, equal educational opportunity means that services and thus expenditure should be related to educational need as defined above.

Neither of the authors of this testimony would minimize the practical difficulties in implementing this view of equal educational opportunity. We are both aware of the questionable results of previous large scale efforts at compensatory education like Title I of ESEA and some of the large local programs like New York's More Effective Schools. We know that educating the children of the poor and of racial minorities is one of the things American schools do worst. We are not unaware either of the evidence of the apparent impotence of schooling in comparison with out of school influences on children. And we have both had the opportunity in previous research of developing techniques for identifying educational need, both on the basis of admittedly imperfect achievement tests and on the basis of social and economic indexes of need. Yet with all the problems associated with it, allocating resources in proportion to educational need seems an indispensable part of a meaningful public policy designed to further equality of educational opportunity. We shall use this view as one of the tests by which we shall subsequently measure the degree of inequity in the financing of education in the United States.

EQUAL EDUCATIONAL OPPORTUNITY AS EQUALITY IN BEARING THE COSTS

How the costs of education are distributed is another important theme in discussions of equality of educational opportunity. Indeed, much of the court's concern in *Serrano* v. *Priest* was directed to that question. Their finding that poor communities which taxed themselves at higher rates were frequently unable to support educational services at as high a level as richer communities taxing themselves at lower rates weighed heavily in the court's decision to find that system in violation of the equal protection clause of the Fourteenth Amendment.

EQUAL SERVICES FOR EQUAL TAX EFFORT

One possible outcome of the *Serrano* decision would be a system arranged so that communities making equal tax effort receive equal educational services. Perhaps the most persuasive spokesmen for this view are the two authors of the influential amicus brief in the California case, Professor John Coons and Mr. Stephen Sugarman, who are also the authors of an important new book on educational finance. They argue that the right of local school districts to opt for different levels of educational offerings should be maintained, but that each community should have equal opportunity to select any given level of educational expenditure. State aid would make up the difference between the yield of millage levels in districts with differing tax bases. Thus the state would guarantee that equal tax effort would produce equal education. The principle of power equalizing, as they call it, could theoretically be extended to the family level as well as to the school district, but the principle remains the same. In either case, the test of equity is the power of equal tax effort to purchase equal services. It is consistent, it would seem, with one of the familiar principles for judging the fairness of a revenue system: payments in proportion to benefits received.

TAXATION IN PROPORTION TO ABILITY TO PAY

While benefits in accordance with payments is one possible definition of equity, a criterion that seems far more in keeping with modern democratic ethics is taxation proportional to one's—or a school district's—ability to pay. This criterion of equity underlies the graduated income tax, for example, and would be approximated by systems of state or federal aid for education which used a sophisticated measure of community wealth as the criterion for school aid allocations. Patently, for many school systems the amount of taxable property per pupil is an inadequate measure of their ability to pay. Income may be more realistic. In addition, a measure that takes account of the greater demands of a wider variety of public services in urban areas should also be used.

In short, in establishing a definition for equality of educational opportunity, the way in which costs of education are distributed is an important component to be considered. Our preference in developing such a definition is for a system which distributes the costs of education in proportion to a realistic measure of a community's or the individual's ability to pay. For educational finance, the adoption of this goal would call for new approaches to equalization in most states of the nation.

SUMMARY

In both the distribution of services and in the methods for supporting these services a number of definitions of equality of educational opportunity are available. While we have expressed our preferences among these competing criteria, what is probably most important for this committee to note is that regardless of which of these tests of equity one wishes to apply, the current system of financing public education in the United States fails to qualify. *In short, there is no recognized test of equal educational opportunity which our current system of education finance is able to meet.* In the next section of our testimony, we present examples of the evidence from which we drew that conclusion.

THE PROBLEM: INEQUITIES IN SCHOOL FINANCE

THE MAGNITUDE OF EDUCATIONAL REVENUES AND EXPENDITURES

The magnitude of the American public educational enterprise is breathtaking. Designed to educate all children through age sixteen and most well beyond that point, public schools enrolled 47,238,087 students in 1969–70 and spent $39.5 billion. Almost fifty million Americans were thus involved in a full-time basis in public education, more persons than are found in any other segment of American life.

Total expenditures for public education in America have risen dramatically in the past half century and particularly during the decade of the 1960's. Between 1960 and 1970 total expenditures increased by 153% from $15.6 billion to $39.5 billion. During the same period enrollment increased from 36.1 million to 47.2 million, or just 30%

Expenditures for public education have risen more rapidly than general indexes of the nation's wealth. Public school spending absorbed 2.3% of the gross national product (GNP) in 1949, but by 1967 schools spent 4.0% of GNP. During those eighteen years GNP increased at an average annual rate of 6.4% while school expenditures rose at an annual rate of 9.8%.

These figures, of course, include only the direct costs of public elementary and secondary education. While they will not enter our analysis, other nonpublic and indirect costs add significantly to educational expenditures broadly understood. Nonpublic schools enroll better than 10% of the nation's school children; on the job training programs in industry, government, and the army educate millions more. Perhaps the largest single indirect cost of public education, a cost frequently ignored by writers in the school finance field, is the earnings forgone by students who attend school rather than obtain employment. Foregone earnings of students, aged sixteen and above, were estimated at between $20 and $30 billion in 1967, assuming that approximately 75% of them could have been employed if they so desired.

Despite these massive expenditures, however, we face a fiscal crisis in education. This committee has heard the tragic words of school superintendents describing the cutbacks in educational quality they are being forced to make because revenues do not keep up with costs. Yet despite the serious plight of many school systems, the greatest financial crisis is not the overall inadequacy of public spending for education. The real crisis is a crisis in equity, not adequacy, for if substantially more funds were miraculously forthcoming tomorrow, under present patterns of allocation inequality of educational opportunity would be as great then as it is today.

VARIATIONS IN SCHOOL SPENDING

Variations in expenditures across the nation are spectacular. A careful study some years ago found variations of classroom expenditures across the nation of nearly four to one after the obviously unrepresentative districts had been eliminated.

TABLE I.—CURRENT EXPENDITURES PER CLASSROOM IN 1960—SELECTED ITEMS

Classroom expenditure level:	
High	$25,237
At the 98th percentile	13,177
At the 90th percentile	11,063
At the 75th percentile	9,697
Median for United States	7,528
At the 25th percentile	5,708
At the 10th percentile	4,365
At the 2d percentile	3,410
Low	1,495

Source: Profits in School Support, U.S. Government Printing Office, p. 4. Forrest W. Harrison and Eugene P. McLoone.

Within individual states high spending districts outspent their low spending neighbors by better than two to one. A quick check of current data on high and low expenditure per pupil districts collected for 1969–70 showed even higher ratios, but the two studies are noncomparable in their techniques and do not necessarily suggest a trend toward greater disparities. (See Table II).

TABLE II.—INTRASTATE DISPARITIES IN PER PUPIL EXPENDITURES, 1969-70

	High	Low	Index between high/low
Alabama	$581	$344	1, 689
Alaska (Revenue/pupils)	1, 810	480	3, 771
Arizona	2, 223	436	5, 099
Arkansas	664	343	1, 936
California	2, 414	569	4, 243
Colorado	2, 801	444	6, 309
Connecticut	1, 311	499	2, 627
Delaware	1, 081	633	1, 708
District of Columbia			
Florida	1, 036	593	1, 747
Georgia	736	365	2, 016
Hawaii			
Idaho	1, 763	474	3, 719
Illinois	2, 295	391	5, 870
Indiana	965	447	2, 159
Iowa	1, 167	592	1, 971
Kansas	1, 831	454	4, 033
Kentucky	885	358	2, 472
Louisiana	892	499	1, 788
Maine	1, 555	229	6, 790
Maryland	1, 037	635	1, 633
Massachusetts	1, 281	515	2, 487
Michigan	1, 364	491	2, 778
Minnesota	903	370	2, 441
Mississippi	825	283	2, 915
Missouri	1, 699	213	7, 977
Montana (Average of groups)	1, 716	539	3, 184
Nebraska (Average of groups)	1, 175	623	1, 886
Nevada	1, 679	746	2, 251
New Hampshire	1, 191	311	3, 830
New Jersey (1968-69)	1, 485	400	3, 713
New Mexico	1, 183	477	2 480
New York	1, 889	669	2, 824
North Carolina	733	467	1, 370
North Dakota (County averages)	1, 623	686	2, 336
Ohio	1, 685	413	4, 041
Oklahoma	2, 566	342	7, 503
Oregon	1, 432	399	3, 489
Pennsylvania	1, 401	484	2, 895
Rhode Island	1, 206	531	2, 271
South Carolina	610	397	1, 537
South Dakota	1, 741	350	4, 974
Tennessee	700	315	2, 432
Texas	5, 334	264	20, 205
Utah	1, 515	533	2, 842
Vermont	1, 517	357	4, 249
Virginia	1, 126	441	2, 553
Washington	3, 406	434	7, 848
West Virginia	722	502	1, 438
Wisconsin	1, 432	344	4. 160
Wyoming	14, 554	618	23, 553

For New Jersey data are for fiscal year 1969 since fiscal year 1970 data were not yet available.

For Alaska data represent revenue per pupil.

For Montana and Nebraska data are high and low of average for districts grouped by size.

For North Dakota data are averages of expenditures of all districts within a county.

Data are not fully comparable between States since they are based entirely on what data the individual State included in their expenditure per pupil analysis.

Source: State reports and verbal contacts with State officials.

CENTRAL CITY—SUBURBAN DISPARITIES

One of the major inequities in educational finance is that variations in expenditures tend to be inversely related to educational need. The following teacher and expenditure data contrasts conditions in Central cities with surrounding high prestige suburbs. (See Table III).

Note that in every case, city students had less money spent on their education and higher pupil/teacher ratios to contend with than did their high income counterparts in the favored schools of suburbia. In a recent study of five large industrialized states, it was found that in four out of five states, central cities averaged $100 less per pupil in total expenditures than did the suburban districts. The same haphazard and often inverted patterns of aid distribution may be seen in rural jurisdictions as well.

DIRECT CORRELATIONS BETWEEN COMMUNITY WEALTH AND SCHOOL SPENDING

Data ranking suburban school districts show a clear pattern of high quality education in districts with high economic status. For example, correlations between rank in property valuation and rank in per pupil revenues is virtually perfect in Table IV despite state aid systems which are presumably equalizing. (See Table IV.)

TABLE III.—COMPARISON OF PUPIL/TEACHER RATIO IN SELECTED CENTRAL CITIES AND SUBURBS, 1967[1]

City and suburb	Pupil/teacher ratio	Per pupil expenditures
Los Angeles	27	$601
Beverly Hills	17	1,192
San Francisco	26	693
Palo Alto	21	984
Chicago	28	571
Evanston	18	757
Detroit	31	530
Grosse Pointe	22	713
St. Louis	30	525
University City	22	747
New York City	20	854
Great Neck	16	1,391
Cleveland	28	559
Cleveland Heights	22	703
Philadelphia	27	617
Lower Marion	20	733

[1] Taken from the Urban Education Task Force Report (Wilson C. Riles, chairman), New York, N.Y.: Praeger Publishers, Inc., 1970.

Source: Gerald Kahn and Warren A. Hughes, "Statistics of Local Public School Systems, 1967," National Center for Educational Statistics, U.S. Office of Education.

TABLE IV.—PER PUPIL SUBURBAN PROPERTY VALUE AND SCHOOL REVENUES IN METROPOLITAN AREAS—1967

Property valuation category	Valuation per pupil	Number of school systems	Valuation per pupil
Boston suburbs:			
High	$44,767	3	$824
Moderately high	26,343	11	780
Moderately low	20,554	9	760
Low	15,481	5	595
Los Angeles suburbs:			
High	57,414	3	958
Moderately high	17,176	16	686
Moderately low	7,195	16	630
Low	5,079	3	663
New York suburbs:			
High	60,842	5	1,411
Moderately high	31,384	16	1,172
Moderately low	18,413	17	1,043
Low	10,997	3	1,009
Houston suburbs:			
High	140,719	1	982
Moderate high	64,356	5	571
Moderately low	27,146	4	466
Low	12,494	2	482
Detroit suburbs:			
High	27,138	4	899
Moderately high	14,750	12	724
Moderately low	9,282	11	629
Low	6,550	4	599

Source: The Policy Institute of the Syracuse University Research Corp.

In Table V we rank the same school districts (shown in Table IV) on the basis of their median family income. Again, we find a pattern of higher school revenues the further up in the income scale one goes, with only two exceptions. In short, "them as has, gits" when it comes to the distribution of school resources in five major metropolitan areas.

TABLE V.—SUBURBAN INCOME AND SCHOOL REVENUES IN 5 METROPOLITAN AREAS, 1967

Income category	Number [1]	Income range	Per pupil revenue
Boston suburbs:			
High	3	$9,000–$9,363	$860
Moderately high	8	7,300– 8,900	784
Moderately low	11	6,300– 7,300	720
Low	6	5,900– 6,300	683
Los Angeles suburbs:			
High	2	8,600–11,977	1,071
Moderately high	17	7,400– 8,600	682
Moderately low	19	6,400– 7,400	656
Low	4	6,100– 6,400	685
New York suburbs:			
High	5	10,500–14,459	1,455
Moderately high	13	8,000–10,000	1,172
Moderately low	18	6,500– 8,000	1,068
Low	7	5,500– 6,500	1,026
Houston suburbs:			
High	1	7,200– 8,929	477
Moderately high	5	6,300– 7,200	615
Moderately low	4	5,000– 6,300	528
Low	2	3,700– 5,000	472
Detroit suburbs:			
High	3	8,700–14,717	877
Moderately high	12	7,400– 8,700	693
Moderately low	11	6,600– 7,400	631
Low	5	5,600– 6,600	738

[1] Number of school systems.

Source: The Policy Institute of the Syracuse University Corp.

These patterns and examples are not isolated instances. They are duplicated in countless studies and through the official reports of virtually every state in the land. Quite simply, they are typical examples of the fiscal roots of inequality in educational opportunity that characterize the distribution of the benefits and burdens of American public education.

The immediate impact of educational finance occurs, however, in schools. Yet commenting upon the patterns of disparity in the allocation of resources within school districts—to individual schools—is at present a hazardous activity in all but a few school systems of the country. Adequate school-by-school data are frequently unavailable and often unreliable. Julius Hobson's litigation here in the District of Columbia has made this city one of the few where public examination of this question is possible.

However, some things can be said about expenditure patterns by schools. First, patterns of discrimination which assigned lower resources to students who were blacks or of lower socio-economic and minority racial status were probably both fairly common and systematic through the 1950's and early 1960's. Studies of Detroit, New York, and Atlanta found fairly clear discriminatory patterns. Since the mid-sixties, however, scattered evidence suggests that at least in expenditures, intra-district discriminatory patterns are weakening or yielding to very mildly compensatory ones. But the source of the change appears to be predominantly the effect of Title I of ESEA and State funds earmarked for the disadvantaged. Studies of Chicago, and of Rochester, Syracuse, and a decentralized district in New York City reveal this phenomenon. In the New York State study, schools with the highest proportions of low achieving pupils received less funds from local and general State aid money than did the most advantaged schools, but in those three cities, schools with low achieving pupils had 15%, 5% and 0.15% more to spend when Title I and State "urban aid" were added.

Yet even these studies showed that teachers who were less experienced and new to the district were concentrated in the schools with the highest proportions of educationally disadvantaged. Patterns of rigid discrimination in funding may be breaking down as measured by expenditures and by some school service measures. But what actual compensatory spending and staffing has occurred appears to be of very mild dimensions indeed.

INEQUITIES IN EDUCATIONAL FINANCE: THE CAUSES

In the absence of explicit Constitutional assignment of educational responsibilities to the Federal Government, plenary power over education rests with state governments. In virtually every state, the legislature is required by the state's constitution to establish and maintain some kind of system of public education. States have traditionally delegated much of their inherent control over education to local school districts, 90% of which are independent of local government but dependent upon the state legislature for their powers. Thus has emerged the system of mixed, or shared, power that characterizes state-local relationships in public education.

The tradition of delegating state powers to local school districts has the most profound implications for school finance. As we have previously mentioned, states usually allow local school districts access to certain taxable resources, typically real property taxes, from which school districts are expected to obtain a considerable portion of their revenues. These local revenues are supplemented with funds derived from state taxes. In 1970–71 states provided 41% of the funds used for public education, while local school district revenues, mainly from the property tax, provided 51%. These proportions have remained remarkably stable over time. Federal revenues the same year accounted for only 7% of school revenues.

In the early 1930's there were approximately 130,000 local school districts in America, including thousands of one-room, one-teacher districts. The number of districts steadily declined during the 1940's, 1950's, and the 1960's until in 1969-70 there were only 18,904.* The delegation of taxing powers to a vast and changing array of local districts has resulted in two cardinal facts: local school districts are grossly unequal in their local fiscal resources per pupil, and the level of fiscal resources is unrelated to the types of educational programs needed by the pupils of a district. This arbitrary grant of unequal taxing power to local school districts not only distinguishes American schools from those in most other nations but is the most pervasive single determinant of the quality and level of educational services in local schools.

State governments thus have complete authority over arrangements for financing public schools. States exercise this authority by a variety of legislative actions specifying the conditions under which localities may levy taxes for schools, by appropriating state funds and determining how they shall be distributed among local districts, and by determining rules regarding school expenditures.

Since the 1920's the principle of equalization has been a *central thrust* of state aid to local school districts. As we have explained, equalization usually refers to equalization of the tax burden for education or equalization of the provision of educational services. If the universal state practice of delegating to school districts the power to tax implies a public policy that a better quality and quantity of public services should be provided to the rich than to the poor, then the presumed intent of state "equalization" programs is to nullify the fiscal and educational impact of the delegation of the property tax to local districts. Actually, as we have shown, states have succeeded in equalizing *neither* tax burdens nor educational services, and the result is a hodge-podge of irrationalities and inequities so confusing that it is obviously wrong to call the arrangement a "system" for financing schools.

The effect of a state decision to use locally levied property taxes as the base for school support was definitively explained in the landmark *Serrano* decision of the California State Supreme Court on August 30, 1971. In the majority opinion, the Court carefully explained that California's "funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors." The argument is so lucid and persuasive that we quote from it at length:

"By far the major source of school revenue is the local real property tax. Pursuant to article IX, section 6 of the California Constitution, the Legislature has authorized the governing body of each county, and city and county, to levy taxes on the real property within a school district at a rate necessary to meet the districts annual education budget. The amount of revenue which a district can raise in this manner thus depends largely on its tax base—i.e., the assessed valuation of real property within its borders. Tax bases vary widely throughout the state; in 1969–1970, for example, the assessed valuation per unit of average daily attendance of elementary school children ranged from a low of $103 to a peak of $952,156—a ratio of nearly 1 to 10,000.

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*In 1969 only 1,608 school districts were "dependent" on local town or county governments. Dependent districts are most frequently found in large cities and throughout New England; and in the States of Maryland, North Carolina, and Virginia. *N.E.A. Research Bulletin,* Vol. 48, No. 2, May 1970. National Education Association, Washington, D.C., p. 38.

"The other factor determining local school revenue is the rate of taxation within the district. Although the Legislature has placed ceilings on permissible district tax rates, these statutory maxima may be surpassed in a 'tax override' election if a majority of the district's voters approve a higher rate. Nearly all districts have voted to override the statutory limits. Thus the locally raised funds which constitute the largest portion of school revenue are primarily a function of the value of the realty within a particular school district, coupled with the willingness of the district's residents to tax themselves for education.

"Most of the remaining school revenue comes from the State School Fund pursuant to the "foundation program," through which the state undertakes to supplement local taxes in order to provide a "minimum amount of guaranteed support to all districts . . ." With certain minor exceptions, the foundation program ensures that each school district will receive annually, from state or local funds, $355 for each elementary school pupil and $488 for each high school student.

"The state contribution is supplied in two principal forms. "Basic state aid" consists of a flat grant to each district of $125 per pupil per year, regardless of the relative wealth of the district. "Equalization aid" is distributed in inverse proportion to the weath of the district.

"To compute the amount of equalization aid to which a district is entitled, the State Superintendent of Public Instruction first determines how much local property tax revenue would be generated if the district were to levy a hypothetical tax at a rate of $1 on each $100 of assessed valuation in elementary school districts and $.80 per $100 in high school districts. To that figure, he adds the $125 per pupil basic aid grant. If the sum of those two amounts is less than the foundation program minimum for that district, the state contributes the difference. Thus, equalization funds guarantee to the poorer districts a basic minimum revenue, while wealthier districts are ineligible for such assistance.

"An additional state program of 'supplemental aid' is available to subsidize particularly poor school districts which are willing to make an extra local tax effort. An elementary district with an assessed valuation of $$12,500 or less per pupil may obtain up to $125 more for each child if it sets its local tax rate above a certain statutory level. A high school district whose assessed valuation does not exceed $24,500 per pupil is eligible for a supplement of up to $72 per child if its local tax is sufficiently high.

"Although equalization aid and supplemental aid temper the disparities which result from the vast variations in real property assessed valuation, wide differentials remain in the revenue available to individual districts and, consequently, in the level of educational expenditures.* For example, in Los Angeles County, where plaintiff children attend school, the Baldwin Park Unified School District expended only $577.49 to educate each of its pupils in 1968–1969; during the same year the Pasadena Unified School District spent $840.19 on every student; and the Beverly Hills Unified School District paid out $1,231.72 per child."

	Elementary[1]	High school
Low	$103	$11,959
Median	19,600	41,300
High	952,156	349,003

[1] Legislative Analyst, part V, *supra*, p. 7

"Per pupil expenditures during that year also varied widely:

	Elementary[1]	High school	Unified
Low	$497	$722	$612
Median	672	898	766
High	2,586	1,767	2,414

[1] (Id. at p. 8)

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*Statistics compiled by the legislative analyst show the following range of assessed valuations per pupil for the 1969–70 school year:

"Similar spending disparities have been noted throughout the country, particularly when suburban communities and urban ghettos are compared. (See, e.g., Report of the National Advisory Commission on Civil Disorders (Bantam ed. 1968) pp. 434–436; U.S. Commission on Civil Rights, Racial Isolation in the Public Schools (1967) pp. 25–31; Conant, Slums and Suburbs (1961) pp. 2–3; Levi, *The University, The Professions, and the Law* (1968) 56 Cal. L. Rev. 251, 258–259.)

"The source of these disparities is unmistakable: in Baldwin Park the assessed valuation per child totaled only $3,706; in Pasadena, assessed valuation was $13,706; while in Beverly Hills, the corresponding figure was $50,885—a ratio of 1 to 4 to 13. Thus, the state grants are inadequate to offset the inequalities inherent in a financing system based on widely varying local tax bases.

"Furthermore, basic aid, which constitutes about half of the state educational funds actually widens the gap between rich and poor districts. Such aid is distributed on a uniform per pupil basis to all districts, irrespective of a district's wealth. Beverly Hills, as well as Baldwin Park, receives $125 from the state for each of its students.

"For Baldwin Park the basic grant is essentially meaningless. Under the foundation program the state must make up the difference between $355 per elementary child and $47.91, the amount of revenue per child which Baldwin Park could raise by levying a tax of $1 per 100 of assessed valuation. Although under present law, that difference is composed partly of basic aid and partly of equalization aid, if the basic aid grant did not exist, the district would still receive the same amount of state aid—all in equalizing funds.

"For Beverly Hills, however, the $125 flat grant has real financial significance. Since a tax rate of $1 per 100 there would produce $870 per elementary student, Beverly Hills is far too rich to qualify for equalizing aid. Nevertheless, it still receives $125 per child from the state, thus enlarging the economic chasm between it and Baldwin Park."

The most obvious *fiscal* problem of urban education is that city schools do not have enough money. The aggregate level of resources currently being allocated to urban education by local, state, and national governments is inadequate when compared to requirements for expensive educational services. Superintendent Shedd has eloquently testified before the Committee on the fiscal poverty of urban schools. But this seemingly simple problem of level of resources turns out, on closer examination, to be a combination of numerous overlapping and sometimes contradictory factors deeply imbedded in the intricate intergovernmental relations of our Federal system. For instance, some problems are primarily local in character, such as municipal overburden, shrinking assessment ratios, or decaying property tax base, matters we shall discuss late in this chapter.

But when such fiscal circumstances are combined with the steady flow of educated people out of cities (a trend that has now been observed for five decades), and their replacement in the city by less well educated persons requiring extensive public services such as education, city schools find themselves in a double bind so serious that the problems exceed the problem-solving capacity of local structures and resources.

Unfortunately, these problems are more often compounded than alleviated by state action. City schools are often hamstrung by state limitations on their taxing power, and by state aid formulas which favor rural and suburban districts. State school aid formulas do not take into account the fact that the central city tax base must be used in a much heavier proportion for non-educational purposes (e.g., police, fire, streets) than is true in suburbia. The result is that state aid, measured on a per student basis, is frequently higher to suburban districts than it is to city districts.

The fiscal problems of urban schools are further aggravated because urban schools feel more keenly than suburban and rural schools the effects of three major sets of constraints on school board decisions about school revenues and expenditures. The three sets can be called legal, traditional, and socio-economic.

First, federal, state and local laws and rulings restrict the freedom to maneuver of local decision makers. Rights of citizenship under the U.S. Constitution, stipulations of federal statutes and administrative regulations and guide lines, court decisions on rights of property and rights of people, state constitutional and legislative mandates, and municipal policing power all take precedence over school board authority and thus restrict local discretionary authority for budgeting. Statutory restrictions from the state level are especially severe for city school districts; in seven of the fourteen largest cities, state definition of local school board taxing powers is more restricted for city districts than for other school districts in the same state. Ironically, city schools deliberately sought much of this special law in attempts to insulate city schools from the rigors of city and state political machines.

Second, and perhaps as contraining as legal restrictions though not nearly so visible, is the tendency in big city school systems for their administrative arrangements to become so formal and inflexible that they may impair the functioning of the institution and reduce its potential for adaptability. An example is the tradition in most cities of the so-called "merit" systems for promotions into and within the administrative hierarchy; these systems are frequently devices to insure that no "outsider" can receive an appointment to administrative position, and also function to establish rigid and universalistic criteria for judging all candidates for administrative positions.

Third, a Stanford University study revealed that more than two-thirds of the variation in expenditures per pupil among 107 of the nation's largest districts was accounted for by the wealth of the district and the socio-economic level of its population. This means that local decision-making about urban school budgets must be viewed in the context of a number of *de facto* limitations on the decision-makers' autonomy. Working within these limitations, school administrators and school boards tend to assume that existing programs will continue and focus their budget analysis, meager though it is in some cases, upon proposed changes in, or additions to, the existing programs. To simplify the budget process further formulas are frequently utilized to determine how much will be required for particular categories of expenditure. The formulas act to centralize decision-making within the school system and tend to create internally inflexible paterns for allocating school resources, both human and material, since the basic assumption underlying use of formulas is that educational services should be distributed equally.

THE PROPERTY TAX

All schools, but especially urban schools suffer from the effects of reliance on the property tax as the major local source of school revenue. The property tax is the largest single source of revenue for all state and local government and provides 51% of all public school revenues. Over 98% of public school revenues from local tax sources are property tax revenues. The yield of the property tax has increased throughout the 20th century, and particularly since World War II, whether that yield is measured in absolute dollars or in relation to the gross national product or population. Table 6 compares state and local government property tax yields in selected years.

TABLE VI.—STATE AND LOCAL GOVERNMENT PROPERTY TAX REVENUE IN SELECTED YEARS, 1902–63[1]

Year	Amount (millions)	Per capita	Percentage of— Total State-local tax revenue	Percentage of— Gross national product
1902	$706	$8.92	82.1	3.2
1927	4,730	39.74	77.7	4.9
1940	4,430	33.53	56.7	4.4
1950	7,349	48.45	46.2	2.6
1956	11,749	70.24	44.6	2.8
1963	20,089	106.51	45.4	3.4

[1] Source: Dick Netzer, Economics of the Property Tax. The Brookings Institution, Washington, D.C., 1966, p. 2.

The full import of state-local reliance on the property tax lies in controversies regarding the equality and administrative practicality of the property tax. Netzer's authoritative treatment of the property tax begins with these words:

> "The American property tax abounds in anomalies. During the past century, no major fiscal institution, here or abroad, has been criticized at such length and with such vigor; yet no major fiscal institution has changed so little in modern times. There is a vast literature on the property tax; yet less is known about its overall impact, incidence, and effects than is known about any other major tax. The demise of the property tax as a major factor in the American fiscal scene has long been heralded; yet it continues to finance more than one-fifth of the civilian general expenditures of federal, state, and local governments. The United States is the citadel of capitalism; yet this tax on wealth is more important in the fiscal system and relative to national income than are comparable taxes in any other advanced country in the world except Canada.* "

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* Dick Netzer, *Economics of the Property Tax*, The Brookings Institution, Washington, D.C., 1966, pg. 1.

Property taxes, of course, are the principal local source of revenue for all local government, not just the schools. Generally speaking, it has been a more elastic revenue source than is usually thought (its yield doubled during the 1960's) and every available indicator suggests that it will continue to be a major revenue source for state and local government in the foreseeable future. But despite its durability the property tax suffers from two critical administrative problems: 1) unequal assessment, and 2) under assessment.

Almost two-thirds of the states require assessment at full value, yet locally assessed real property averaged less than 33% of market value according to the *1967 Census of Governments*. Assessment variations both *within* and *among* assessment units are scandalous. While progress has been made in narrowing such variations, nearly 40 percent of large assessment districts had coefficients of dispersion (a measure of the departure of individual assessments from the typical level of valuation within an assessment area) that fell outside the minimum level of acceptability, according to the ACIR. Applying a more rigorous test of dispersion, only ⅓ of assessing areas can qualify as following acceptable practices.* No state can be satisfied with its record in property tax administration, and no other activity of government in the United States is more in need of fundamental reform.

Another problem connected with the property tax is the tendency of many assessors to allow the ratio of assessed values to full market values to decline, thus reducing the capacity of the school district to tap local funds. For example, according to one estimate the assessment ratio in the city of Detroit declines from 90% in 1930 to about 50% in 1960. The estimates show a decline in assessment ratio in Baltimore from 90% in 1930 to 64% in 1960, from 80% to 45% in Cleveland, from 50% to 23% in Los Angeles, and from 65% to 30% in St. Louis.† These reductions are particularly restrictive in many states which define local school taxing authority in terms of tax *rates* and even more restrictive on the many large cities for which taxing authority is limited even more stringently than for other school districts in the same state.

If equitable and reliable assessments are to be achieved, one of two courses of action is indicated. The first, statewide administration, while vulnerable to many of the same problems as local administration, represents a long range hope if not an immediate possibility.

In the meantime, an auditing function is needed. Perhaps state agencies can perform such a function adequately, but it is possible that the same vested interests and political influences that shape local assessments may ensnare state agencies as well. Use of private, state-certified appraisers to "audit" local assessments may be needed, similar to the way private C.P.S. auditors regularly review revenues and expenditures of public agencies.

FEDERAL AID

States, then, have delegated unequal grants of power to support education through the creation of local school districts with the authority to tax real property. State aid systems, while nominally designed to offset the resulting disparities in revenue raising ability, have failed to achieve effective equalization. What impact has federal aid had in affecting the pattern of allocation of resources for education?

Largely because of the impact of Title I of ESEA, which provides close to forty percent of federal funds for elementary and secondary education, aggregate federal aid has a decided equalizing effect. Flowing in greater proportions to districts that are blacker, poorer, and more urbanized, federal aid has provided a small but strategically welcome aid to many fiscally threatened school districts. (See Tables VII, VIII, IX).

The quantity of federal aid is, however, relatively meager. Its overall seven percent of total public school revenues often gets lost in comparison with the state and local revenues with which it interacts. Thus in a five state study of federal aid distribution, while federal aid went in larger proportions to central city than to suburban (outside central city) areas in four of the five states under study, suburbs still averaged more than $100 higher in total revenues for education. (See Table X).

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* Advisory Commission on Intergovernmental Relations, ***State and Local Finances Significant Features, 1966–1969***, pp. 3–4.

†Ratios for 1930 from *National Municipal Review* (December 1931), pp. 707–709; 1960 ratios provided by local officials; 1962 sales-based sample data, U.S. Bureau of the Census, ***Census of Governments 1962, Vol. II, Taxable Property Values*** (Washington, D.C.: U.S. Government Printing Office, 1963).

The dozens of separate categorical programs with their differing educational objectives lack focus and coordination. Financially, many of them serve to reinforce the disparities between "have" and "have not" districts, offsetting to some extent the impact of Title I. Impacted areas aid, of course, is a notorious villain. Vocational aid continues to be the captive of the small towns and rural areas, despite the amendments of 1968. And Federal administrators, rather than posing a threat of federal control of American education, suffer from debilitating inferiority complexes when dealing with their state and local counterparts.

TABLE VII.—COMPARISON OF FEDERAL AID PROGRAMS AND STATE AID FOR SCHOOL DISTRICTS IN METROPOLITAN AREAS, 1967

All areas larger than 500,000 population	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
California:			
Central city (N=7)	$19.64	$11.44	$234.29
Outside central city (N=119)	11.09	8.92	275.78
New York:			
Central city (N=5)	53.90	13.70	372.51
Outside central city (N=73)	12.35	11.44	494.06
Texas:			
Central city (N=4)	19.67	5.73	174.26
Outside central city (N=33)	12.25	10.38	209.35
Michigan:			
Central city (N=1)	37.15	7.27	238.13
Outside central city (N=31)	7.86	5.75	271.26
Massachusetts:			
Central city (N=1)	32.33	7.18	[1] 236.00
Outside central city (N=26)	7.95	11.58	110.26

[1] ESEA II, NDEA III, VA, vocational education, lunch and milk.

Source: The Policy Institute of the Syracuse University Research Corporation, Project: "The Pattern of Allocation of Federal Aid to Education," supported by Ford Foundation Grant 690-0506A.

TABLE VIII.—COMPARISON OF FEDERAL AID PROGRAMS AND STATE AID FOR SCHOOL DISTRICTS IN 5 LARGEST METROPOLITAN AREAS RANKED BY MEDIAN FAMILY INCOME, 1967 FISCAL YEAR

School districts in 5 SMSA's (Suburbs ranked by income categories) (No. of districts) (Median family income level)	ESEA I (per pupil)	State discretionary Federal funds [1] (per pupil)	State aid (per pupil)
Los Angeles:			
2, high ($12,000 to $8,600)	$0.00	$3.60	$230.25
17, moderately high ($8,600 to $7,400)	6.00	7.71	242.04
12, moderately low ($7,400 to $6,400)	14.39	7.86	272.63
4, low ($6,400 to $6,100)	24.19	12.72	380.70
1, central city ($6,896)	23.05	4.92	191.53
New York City:			
5, high ($17,000 to $10,500)	7.17	7.74	338.98
13, moderately high ($10,500 to $8,000)	11.86	12.18	494.20
18, moderately low ($8,000 to $6,500)	12.88	10.68	505.20
7, low ($6,500 to $5,500)	17.12	10.83	584.55
1, central city ($6,091)	68.72	8.89	329.74
Houston:			
1, high ($8,900 to $7,200)	2.61	9.69	201.50
5, moderately high ($7,200 to $6,300)	4.03	10.34	179.03
4, moderately low ($6,300 to $5,000)	7.40	9.89	167.03
3, low ($5,000 to $3,700)	49.69	9.06	243.56
1, central city ($5,902)	14.32	6.92	172.60
Detroit:			
3, High (14,700 to $8,700)	1.70	3.07	206.68
10, moderately high ($8,700 to $7,400)	6.56	6.24	261.07
12, moderately low ($7,400 to $6,600)	7.52	5.45	297.90
5, low ($6,600 to $5,600)	12.28	7.03	268.46
Central city ($6,069)	37.15	7.27	238.13
Boston:			
3, high ($9,400 to $9,000)	4.31	7.81	125.20
6, moderately high ($9,000 to $7,300)	5.16	12.57	121.78
11, moderately low ($7,300 to $6,300)	6.65	12.13	99.73
6, low ($6,300 to $5,900)	14.93	9.07	118.68
Central city ($5,747)	32.33	7.18	236.08

[1] ESEA II, NDEA III, VA, Vocational education, lunch and milk.

Source: The Policy Institute of the Syracuse University Research Corporation, Project: "The Pattern of Allocation of Federal Aid to Education," supported by Ford Foundation Grant 690-0506A.

TABLE IX.—COMPARISON OF FEDERAL AID PROGRAMS AND STATE AID FOR SCHOOL DISTRICTS IN 5 LARGE METROPOLITAN AREAS BASED ON PERCENTAGE OF NONWHITE ENROLLMENT, 1967 FISCAL YEAR

Districts in 5 largest SMSA's ranked by racial makeup (number of districts)	ESEA I (per pupil)	State discretionary Federal funds[1] (per pupil)	State aid (per pupil)
New York:			
(8) 15 percent nonwhite or more	$30.89	$13.01	$413.17
(36) less than 15 percent nonwhite	10.62	10.48	523.62
Houston:			
(6) 15 percent nonwhite or more	10.21	11.38	193.35
(8) less than 15 percent nonwhite	19.31	8.35	188.49
Detroit:			
(5) 15 percent nonwhite or more	25.85	8.07	285.06
(22) less than 15 percent nonwhite	5.13	5.87	272.69
Boston:			
(1) 15 percent nonwhite or more	32.33	7.18	236.08
(26) less than 15 percent nonwhite	7.99	11.[illegible]8	112.19
Los Angeles:			
(25) 15 percent nonwhite or more	15.30	8.63	296.26
(19) less than 15 percent nonwhite	6.28	7.21	236.72

[1] ESEA II, NDEA III, VA, vocational education, lunch, and milk.

Source: Policy Institute of the Syracuse University Research Corporation, Project: "The Pattern of Federal Aid To Education," supported by Ford Foundation Grant 690-0506A.

TABLE X.—FEDERAL AID AND TOTAL REVENUE BY CENTRAL CITY, OUTSIDE CENTRAL CITY, AND NONMETROPOLITAN AREAS, 1967

State	Federal aid	Total revenue	Percent Federal aid
California:			
Central city	$39	$684	5.8
Outside central city	40	817	4.8
Nonmetropolitan	54	641	8.4
New York:			
Central city	68	876	7.7
Outside central city	31	1,037	3.0
Nonmetropolitan	31	923	3.4
Texas:			
Central city	38	479	7.9
Outside central city	36	485	7.4
Nonmetropolitan	63	535	11.8
Michigan:			
Central city	29	683	4.2
Outside central city	17	666	2.5
Nonmetropolitan	30	629	4.8
Massachusetts:			
Central city	69	675	10.2
Outside central city	38	779	4.8
Nonmetropolitan	(1)	(1)	(1)

[1] Not available.

Despite these and other problems, we believe that the federal role in education can provide a needed stimulus to reform, a lever to move far more than the weight of its own slim share of educational finance. Our concluding remarks will contain recommendations to that end.

RECOMMENDATIONS

We have attempted in this testimony to summarize how public schools are financed, but we also have identified the major criteria we believe to be most appropriate for judging how equitably the present finance scheme is serving the public interest. We have based these criteria on a definition of equal educational opportunity and used that definition as a yardstick against which present local, state, and federal financing arrangements can be measured.

As the testimony reveals, we find present school finance plans sadly dysfunctional in terms of our definition of equal educational opportunity. Our analysis of the ills of the present system has also suggested a number of general policy recommendations that, if implemented, would dramatically reduce the gap between the promise—equality—and the reality—inequality—in America's public schools.

While we do not argue at length for the recommendations in this testimony, the rationales for the recommendations are substantially reflected in our earlier review of how the present system works.

Major fiscal reform in public education must begin at the state level. We believe strongly that the fiscal inequities which plague public education will never be removed unless states assume complete financial responsibility for this vital state responsibility. Specifically, we favor state action first of all to remove the power local school districts now have to tax property and adoption, ideally, of a graduated state income tax sufficient to provide school revenues. Reality suggests, however, that a source of government revenue as productive in its yield as the property tax will not disappear, and if this is the case we favor state assumption of the property tax, including its administration, at a modest but uniform statewide property tax rate.

The state would then have to devise criteria with which to distribute school funds. We favor a basic per pupil distribution with additional amounts for disadvantaged pupils as measured by low achievement scores and low socio-economic status. While other distribution plans could be fashioned (such as the plan Professor Coons will be discussing with you next week) and other revenue packages could be defended, we have suggested general approaches we feel to be worthy of serious public consideration.

We stress state action because state-local taxes raise $.93 of every school dollar and because education is primarily a *state*, not local or Federal, responsibility. However, we would not deny for a moment that there is an important role for the Federal government to perform in redressing the fiscal inequities in education. We summarize below our key recommendations, recognizing full well the complexities of the issues involved, and again basing the summary recommendations primarily on the analyses we previously presented of the Federal role as it currently operates.

First, it is clear that the only Federal program now providing substantial dollars for the public schooling of poor children in ESEA Title I. As presently funded, Title I provides about $1.00 per participating child per school day, hardly a sum to engender confidence in the program's prospects for success. We favor substantially larger funding for Title I because it targets Federal dollars on children shortchanged by local and state funding patterns while allowing great state and local discretion in determining the nature of the educational program itself.

Federal regulations now require "comparability" in state and local funds as a prerequisite for a school districts' receiving Federal funds. We urge rigorous enforcement of this desirable but slippery target so that Federal dollars—notably Title I—can provide the compensatory services for which they were designed, instead of merely filling in the holes left by discriminatory state and local funding plans.

New Federal education programs should feature fiscal arrangements which require and/or stimulate state governments to reform their own state school finance programs. Specifically, Federal aid should be designed to encourage state governments to build state finance plans which not only reduce expenditure disparities and move toward full state funding, but also take into account the total fiscal effort of localities, and pupil characteristics which correlate closely with low achievement. Use of those two sets of factors by states would almost surely increase the state aid flowing to urban districts, and would tend to decrease the possibility that states might balance any Federal increase in urban aid by increases in state aid to suburbs.

A second part of this same problem is the difficulty of assuring that increases in Federal aid are not completely absorbed through salary increases for school personnel, or for tax relief. The former can be partially handled by requiring some sort of proposal from the local district which specifies the educational services to be provided with the Federal money. The latter problem can partially be handled by Congressional provision that state and local appropriations shall not be reduced. However, this does not provide protection against action by local tax assessors, who, perceiving new resources available to the schools, may lower assessments or fail to raise them in accordance with growth of market values, thereby reducing the actual taxing power of many urban and non-urban boards of education which operate under fixed maximum rates.

Finally, we point to a critical inadequacy in the data available to the Congress and the public regarding Federal aid to education. One of the key fiscal statistics upon which Federal policy should be built is the aggregate Federal aid to each local educational agency, including all Federal programs aiding public schools. Such data would be extremely useful in identifying the extent to which a particular national priority, say, urban education, is receiving support at the present time. In other words, it would tell us what our policy now is. Unfortunately, these data are now available only in crude and incomplete form.

We call to the Committee's attention that the Federal government does not now have a systematic way of measuring its own overall resource allocation priorities in education. The difficulties encountered by even skilled researchers in focusing attention on the *aggregate impact* of Federal aid on a particular type of local district, say, urban districts, underscores the presently fragmented patterns of thinking about Federal aid to education. Federal policy toward a particular local school district is primarily a function of the relative distribution of Federal dollars; today, we discuss future policy without really knowing what present policy is.

The availability of comprehensive data affects decision-making at the Federal level in three ways. First, it provides basic tools and essential information by which the Executive Branch and the Congress can view American education on a nationwide scale and set national priorities for Federal action. Second, availability of comprehensive data permits the design of realistic programs of Federal expenditures to achieve these goals. Finally, it provides a means by which the Federal government can evaluate the outcomes of program designs both in terms of the distribution of Federal funds and the resulting programmatic and aggregate impact of those funds prior to the making of new policy decisions. Until school by school data are available on the delivery of school services and the allocation of school resources, and until such data are meaningfully linked to their effects on children in specific classrooms, educational policymakers will operate through hunch and guess rather than through a reasoned appraisal of problems and possibilities of public policy.

In closing, we would like to express our appreciation to the chairman and to the members of this committee for the opportunity to present this testimony. We commend the committee for its interest in the challenging problems of equal educational opportunity and hope that our efforts will be of some use in its deliberations.

Senator MONDALE. All right, proceed.

Mr. KELLY. Senator, I am mindful of the time problem and particularly of your patience with us in going through some somewhat dreary statistics.

Senator MONDALE. We are doing all right.

STATEMENT OF JAMES A. KELLY, PROGRAM OFFICER IN PUBLIC EDUCATION, THE FORD FOUNDATION, NEW YORK CITY

Mr. KELLY. Unfortunately, the problem is simply not a simple one to unravel and it is not one to which one can supply simple solutions. The first section of my remarks will deal with an attempt to suggest explanations for the disparities and inequities that we have been discussing. Second, we will turn to suggestions and recommendations, which are quite general but we hope will be helpful, that arise out of those analyses.

In the first half of these remarks that deal with explanations as to why we are in this mess, I want to deal with four issues. I will deal with a couple of them somewhat quickly because they are elaborated upon in the prepared testimony, and I do not think need to be gone into in great detail verbally.

The first deals with the centrality of State governments in this whole proposition; second, the special circumstances of urban school districts; third, the difficulties and problems associated with the property tax as the central source of local school revenue; and fourth, comments about Federal aid to education. All of this is within the first section of the remarks dealing with explanations.

In examining the question of why school expenditures are allocated in such a discriminatory fashion, there is no way to avoid the position of State governments in unraveling the story. States hold plenary power over that function of government we call public education. It is not a Federal function; legally it is a State responsibility.

States choose to exercise that responsibility by creation of local school districts, by assigning to those districts the power to tax property, and by passing statutes and regulations dealing with school appropriations and expenditures, by adopting statutes and regulations dealing with specific educational practices ranging from who may teach to who must attend school and what school, what books they may read, what curriculum they shall study and what day and hour they shall observe Arbor Day. So there is no way to avoid State responsibility for the situation that we are now in.

That leads us to certain conclusions later about Federal fiscal strategies in this area.

STATE EQUALIZATION PLANS

A word about State equalization plans.

For the past 40 years State governments have gotten away with claims that they are equalizing educational resources and educational expenditures and sometimes even that they are equalizing the fiscal burden of paying for education because they adopt equalization schemes. Our position is that few if any of these so-called schemes equalize anything. We are prepared to defend that with volumes and volumes and stacks and stacks of evidence. But I will not go into detail except to assert it.

There is an explanation in our prepared statement on pages 15, 16, and 17 of the way the California State school equalization program works. I call it to your attention because it is well prepared and its author is a distinguished justice of the California State Supreme Court who wrote the opinion in the *Serrano* versus *Priest* case.

In California the amount of State aid is determined as follows:

First of all, they require the local district to levy a $1 tax on the assessed value of the property.

Second, the State provides $125 for State aid for every student in the State regardless of any other consideration.

You add those two figures together, and then you subtract from $355, which is an arbitrary legislatively set difference. That difference equals the aid. The average expenditure is now $950 per pupil, yet State aid is calculated in a never-never land of funny numbers based upon this arbitrary $355 "equalized" basic program.

In the case of the Baldwin School District, as the court pointed out, its $1 local property tax raises approximately $50 of local money. The State throws in $125 basic aid and the additional amount to $355 in equalization aid.

I contrast that with Beverly Hills which—I can refer to the text here——

Senator MONDALE. Poor Beverly Hills.

Mr. KELLY. Yes. Its $1 produces $870 per pupil, a difference of about 17 times in magnitude. Yet Beverly Hills thinks of itself, and the political culture with which educational finance lives in the State level allows Beverly Hills to get away with thinking that it is a "minimum aid" district because it has the lowest percentage rate of equalization. Beverly Hills should properly be thought of as a bonus district—the State pays the bonus for being rich. Despite the fact that its $1 tax raises $800 of local money, they still get $125 State aid per pupil.

WIDENS GAP BETWEEN DISTRICTS

So the program in California not only fails to bring the poor up to standard but provides direct payments to widen the gap between the rich and poor.

The second point I wish to make has to do with the special problems of urban school districts. The nature of these problems is directly involved in a population shift in the United States which is now in its sixth decade in which the schools in cities have received children from outlying rural areas and from the South. I am speaking here of central city schools in the Northeast, Middle West, those sections of the country.

These children have been educated in the city schools, received their high school education, and frequently received college educations there. They have joined the professions and joined the ranks of the white-collar workers, secured good positions. They live in the suburbs; those are the people that live in the suburbs. My own father is a perfect example of this—a person educated in city schools but now living in a residential suburb.

To take their place in the city more people come in from rural areas, and from the South. This population shift is, as I say, now in its sixth decade, and is still continuing. It is impossible to talk intelligently about the problems of city schools and what reasonably to expect them to do unless you look that fact in the face. It is particularly difficult to think of what you would expect them to do when they are not receiving as much resources as the children of those suburban citizens who were previously educated in the city schools.

Senator MONDALE. So if you look at it from the standpoint of equality of financial input—the rich suburban school versus the deprived central city school system—that grossly understates the disparity; there are many, many other factors: higher cost of education, school property costs, differences in education input of the families, which must be a tremendous difference.

The educational input of the children to this—if you have a group of high achievers in a class, they must contribute enormously to each other, don't they?

FEDERAL POLICY ATTRACTS POOR TO CITIES

Mr. KELLY. Yes, sir. Also, you see, there is a deliberate Federal policy—public housing—to attract poor people to cities. In New York City there are approximately 150,000 children attending public school living in public housing for which the city receives no local tax revenue. Last time I looked at it it was a negotiated payment of about $20 per pupil per year.

Senator Mondale. We tried to get a bill providing impact aid for public housing; we got an appropriation in the Senate, but it was killed in the House.

Mr. Kelly. Yes, they killed it in the House.

On paper the prepared testimony points out three constraints on the reform potential of local school districts that are particularly acute in urban schools.

First of all, the body of State law and regulation that governs public schools is much more detailed for ubran school districts than for others. Most large States have special bodies of education law pertaining exclusively to large central city school districts. In about half of the largest cities in the United States there are more restrictive tax provisions on the access of school districts to tax property in large central school districts than for any other school district in the State.

In the case of Wisconsin this applies only to the city of Milwaukee. In Missouri, only St. Louis. In Michigan, only the city of Detroit. So it is in many other States across the country.

These are laws which were passed 30 or 40 years ago when it was widely perceived that city schools were in a favored position and should be controlled by the State for the benefit of the rural and out-of-State interests.

Second, the bureaucracies which administer large city school systems are unquestionably less responsive and more rigid, less capable of internal reform, probably more defensive in the face of external demand for reform than in the case of small school districts.

Barriers to Reform

Senator Mondale. I am fascinated with my city brothers who talk of need to experiment with community-controlled schools. We have thousands of schools where the local folks take a great interest and run those schools and they do not have an enormous bureaucracy to frustrate them. It is in the big city where, in effect, the ability of the community to have this control is frustrated. I think that the insulation of the central bureaucracy from any community concerns is really one of the great barriers to school reform in this country.

Mr. Kelly. Well, New York State, which I mention in this context because of the explosive results of the school decentralization fight in New York City in the last 3 or 4 years, is an interesting place to contrast the way in which school districts in New York State determine their budget. Many hold an annual meeting at which anyone may come and at which there is a vote of those present. The others have referendums.

In New York City there is a nonelected school board and the budget at no point passes through the public for referendum or approval in any sense. There are hearings, which are highly pro forma.

Senator Mondale. In the fight over community control at this point without any doubt, the edge must be given to the central bureaucracy; is that correct?

Mr. Kelly. That would be correct.

Senator Mondale. The effort to get control of the central elements of the school system which has been the plea of community control, has been largely frustrated?

Mr. Kelly. Yes, but in New York City, and in special cases in other cities across the country there are places in which decentralized elected boards are appointing school principals, which is not an insignificant lever on power. I think there are some signs——

Senator Mondale. It is a tendency and not a victory.

Mr. Kelly. It's by no means a widespread tendency, and it's facing even more entrenched opposition from the education establishment than it did 3 or 4 years ago, I would say.

The third of three constraints I wanted to mention that place school districts in a bind in terms of the local capability of dealing with the problems, is a fiscal system which forces them to rely on local property tax base for additional marginal resources they need from year to year to finish their budgets.

Property Tax Base

As Mr. Berke pointed out, it's possible to predict with accuracy the level of school expenditures in local districts in the United States simply from two or three measures of the income level of the population and property tax wealth of the school district without any regard whatsoever to political leadership of the school board or educational needs of the pupils.

In the case of city schools there have been more severe assessment problems in the cities where assessment ratios have been allowed to slide down and down over a period of time, thus concealing from the school district a portion of the real tax base in the community that it otherwise would have had access to. We have data in our testimony on that for a few cities. This is particularly severe again because States have frequently restricted city school districts in their capacity to tax property by saying what the maximum tax rate will be; when the city government drops the assessment ratio over two or three decades from, say, 80 to 40 percent, which is not untypical from the mid-1930's to mid-1960's—you see the bind these schools are in.

It's a real bind, and I think it's not adequate to cop out on the issue of that bind by saying we don't know whether teachers should use this book or that book, or we don't know the proper political structure at the community level. That is a real problem. Whatever it is they would decide they want to do, they have serious fiscal problems in getting the resources to do it.

Reform of Property Tax

Now, I skip quickly across the property tax question—not because it is insignificant; it's the heart of the problem of educational finance in the United States. But I believe you will have expert testimony later in these hearings from people who are more specifically knowledgeable about the property tax than either Mr. Berke or I.

We have alluded to the difficulties that are associated with the property tax. I would like to point out that of all public school revenues in the United States, 51 percent of them are from the property tax. Of all school revenues in the United States from local sources, 98 percent are from the property tax. It would take a very substantial State income tax or national income tax to make up the tens of billions of dollars of revenue that local and State governments get from the property tax. It may be the world's worst administrated tax. It probably is. It is corrupt, inefficient, unequal, inequitable; but it produces a lot of revenue and it will be with us in one way, shape, or form for quite a while.

A significant question about reform is how can we make the property tax a better tax because it's going to be a tax that will be with us for quite a while. We have a couple of suggestions in that regard in our prepared testimony.

One other comment about the property tax is that legislators have expressed their unique confidence in public support of education by making it the only public service in the United States that has the honor of going to the electorate once a year for the taxes needed to support it. I would like to ask the Senator if you feel that a lot of other services of government, be they Federal or State or local, would be able to obtain their funds if they had to go to the electorate once a year. I doubt if the New York State income tax would be passed each year and raised each year as property taxes are for the schools. It's a unique instrument for allowing public access to the decisionmaking about fiscal governance of schools.

TAXPAYER'S REVOLT

In recent years the access of schools to revenues has been inhibited by a new reluctance on the part of taxpayers to go through that ritual without asking a lot of questions each year. There is a taxpayer's revolt.

In the State of California, I understand last year 60 percent—measured by the dollar volume of bond issues involved—60 percent of the bond issues were defeated. Similar difficulties are occurring in other States. This is a difficulty associated with the property tax use as we have been using it.

Finally, Federal aid to education. I call your attention here to the prepared testimony that begins on page 24. We treat Federal aid here in a cursory way because the definitive recent study of it was the study at Syracuse University, which your Select Committee has already noted by issuing a committee print of their interim report.

We point out that Federal aid to education provides 7 percent of the revenues for public schools in the United States. In some tables which follow page 24——

Senator **MONDALE**. What was that second paragraph? Largely because of impact of Title I——

Mr. **KELLY**. Which provides close to 40 percent of the Federal funds for elementary and secondary education.

Senator **MONDALE**. That can't be right; is it?

Mr. **KELLY**. Well, Federal funds——

Senator **MONDALE**. Oh, Federal funds.

Mr. **KELLY**. Yes.

Senator **MONDALE**. Do you have a breakdown of the total amount of each of the categories of Federal funds? Like impacted aid, Title II, Title III?

Mr. Kelly. No.

Senator Mondale. I would like to see a breakdown of each of those types for the record.*

Mr. Kelly. All right.

Senator Mondale. It's interesting that the most dramatic increase has been in Federal impact aid, and I think that is growing disproportionate to need.

Mr. Kelly. Well, I was starting to say that Mr. Berke's study is the first one that really addressed itself to the question of who is getting Federal aid to education. What kinds of people, what places and in what proportions? We haven't had the data on that until the Syracuse study. Tables 7, 8, 9, and 10 address themselves to that question.

For instance, table 7, which follows page 24, compares federally-aided programs with local and State in the different States.

In California ESEA Title I provided $19 per pupil to the central cities in that study, and in other school districts in California, Title I provided $11 per pupil.

State discretionary Federal funds were distributed to central cities in the amount of $11, and outside cities it was $18. That is ESEA Title II and Title III, and the school lunch money.

Senator Mondale. Do you have impact aid?

Mr. Kelly. No; that is not a state discretionary fund. But we could break that out for you. That could be done but that is not in that table, because it is allocated to the school districts by Federal formula. The point that I wanted to make about that table, Senator, is that while Title I is providing in most of those States a favorable treatment for central city schools, general State aid has the opposite impact, that is, it discriminates against the cities.

In California $40 more State aid per pupil was provided outside central cities than to central cities.

Similar comments could be made about other States shown in that table.

In tables 8 and 9, Mr. Berke's data show that——

Senator Mondale. Go back to 7 a moment. Your data does not try to break out the poor rural districts, does it?

Mr. Berke. These data, Senator, in this table are for the metropolitan areas in the States. We do have some rural districts in our States, and what we find is that Federal aid goes there in fairly high proportions. In fact——

Senator Mondale. In other words, it shows that the rural poor districts do better through Federal aid than do central cities?

Mr. Berke. If you look at table 10 the answer is yes. We do show central city-outside central city, which is suburban, and then nonmetropolitan. You can read largely "rural" for "nonmetropolitan."

Senator Mondale. That doesn't break out the rich rural districts versus the poor ones?

Mr. Berke. No, it does not.

Senator Mondale. Mr. Kelly talked earlier of a Federal program of encouraging people to move to the big cities public housing.

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*See Committee Print: Financial Aspects of Equality of Educational Opportunity.

We have another one which is rural poverty, about which nothing is being done. Many of our rural poor districts in Minnesota and most States are just as bad off as the central cities.

MUST REVERSE RURAL MIGRATION

That is one of the reasons the people are leaving. I am increasingly of the view—I notice people like John Gardner and others are beginning to say this—that we have to stop the migration into these major central cities.

More than that, we have to reverse it. That is why I think we have to look not only at the central city school systems that are losing, but also at these poor rural districts where from everything I have seen the people would much prefer to live—if they could get decent services and feel their children weren't being cheated and where there is community control in most instances——

Mr. **BERKE**. Of course Mr. Kelly has outlined problems with the property tax base in central cities. Of course there are equal problems in the outlying areas.

Senator **MONDALE**. Yes, same thing. A very similar situation.

Mr. **BERKE**. The major problem there, quite simply, is absence of resources to tax in the areas you are talking about.

Senator **MONDALE**. Is there any way of getting data in your study to try to break out on some basis, some of these rural districts as well as the central cities? There are many nonmetropolitan rural areas that are wealthy.

Mr. **BERKE**. Yes, there are.

Senator **MONDALE**. There are many that are tragically poor. Once again, this real estate tax thing comes in.

Mr. **BERKE**. One of the services, Senator, this committee could do—I am jumping ahead a little into the recommendations but it seems too good an opportunity to miss—is to recommend an increased concern on the part of the Office of Education and increased support to fulfill that concern for developing the kinds of data that you as a Senator need to address these problems.

Senator **MONDALE**. Amen.

Now, we are going to have hearings on that because the more we get into this, the really tough questions of education, the more it becomes apparent that the data collection process of the Federal Government is appalling. You learn everything you don't want to learn and nothing that you need to know. It is incredible how much we spend on useless information and how little we ask what some people call the "hot" questions.

We will have hearings on Federal data and research and demonstrations and the rest.

Mr. **KELLY**. We have some general recommendations to make to you.

Senator **MONDALE**. We would like to hear those because those are the problems we are up against, really.

HOW DIFFERENT DISTRICTS REACT

Mr. **KELLY**. I would like to point out as a remark that one of the interesting fallouts of the *Serrano* case in California is the difference between rich and poor rural districts in how they perceive the likely impact of *Serrano*. Rural districts in the central valley of California which have high land values are not intrigued by the prospects of a statewide property tax.

But there are other districts which are poor which would benefit greatly from that.

Senator **Mondale**. There is a tremendous identity of interest between rural and urban poor which I think is beginning to emerge.

Mr. **Kelly**. Not to argue or tend to go against the point you make about the rural poor, there is one more point I wanted to make about the data in our prepared testimony, particularly tables 8 and 9, those tables on Federal aid programs within metropolitan districts. I would like to point out that table 8 shows State and Federal aid to education within metropolitan areas of five States by income groupings. It shows that communities which have high incomes tend to receive a very small amount of ESEA, Title I, a small or average amount of other Federal funds, and a substantial amount of State aid to education, sometimes larger than is provided central cities.

That comparison can be made through the data in table 8. Table 9 shows the racial groupings.

Senator **Mondale**. So the wealthiest grouping in California receives no Title I, $3.60 Federal fund discretionary funds, and $230 from the State.

Mr. **Kelly**. That is right.

Senator **Mondale**. Whereas the poorest district receives $191 from the State, a difference of about $40.

Mr. **Kelly**. Yes.

Senator **Mondale**. Whereas Title I gives $23. But that doesn't make it up, that is only half the difference between the State aid contribution.

Mr. **Kelly**. That $40 per pupil in the case of Los Angeles has to be multiplied by 750,000 students to arrive at a total dollar impact. We are talking of $30 million which is a lot of money for a school system.

Table 9 does the same thing by racial groupings within metropolitan districts. Again, Title I comes out looking very good in terms of its ability to deliver Federal dollars to school districts with high concentrations of students from minority groups; whereas other Federal funds come out about even; and the State record is spotty at best, and in some cases, for instance in New York, it goes against the trends we have been proposing in this testimony.

Senator **Mondale**. In almost every case the inequity of State aids more than wipes out the so-called compensatory value of Title I.

Mr. **Kelly**. Yes; and for that reason—it raises a point which we make in our recommendations as to what makes sense about the function of Federal aid to education.

Senator **Mondale**. But there are people who say Title I isn't working. In fact, when you look at the total amount of dollars the school systems receive, there would be no reason to see a return because all that counts is the dollar that the school gets.

The Title I aid really hasn't made much difference.

Mr. **Kelly**. We have three double-spaced pages of recommendations which we have worked on carefully and which deal with that question and several others. We can dispense with that by letting me go through it with you and highlight what I think are the important points in it. I think it would clarify the positions that we try to take.

Senator MONDALE. All right.

Mr. KELLY. We have attempted in this testimony to summarize how public schools are financed, but we also have identified the major criteria we believe to be most appropriate for judging how equitably the present finance scheme is serving the public interest. We have based these criteria on a definition of equal educational opportunity and used that definition as a yardstick against which present local, State, and Federal financing arrangements can be measured.

Every one of these points is supported by a large body of material. Major fiscal reform in public education must begin at the State level. I say begin, not in any time sequence, but begin in the sense of the unavoidable centrality of its position in the whole structure.

We believe strongly that the fiscal inequities which plague public education will never be removed unless States assume complete financial responsibility for this vital State responsibility. We use the term complete financial responsibility to designate the way we would like to see it happen.

First of all, the State would then have to devise criteria with which to distribute school funds. We favor a basic per-pupil distribution with additional amounts for disadvantaged pupils as measured by low achievement scores and low socioeconomic status. While other distribution plans could be fashioned—such as the plan Professor Coons will be discussing with you next week—and other revenue packages could be defended, we have suggested general approaches we feel to be worthy of serious public consideration.

We stress State action because State-local taxes raise $0.93 of every school dollar and because education is primarily a State, not local or Federal, responsibility. However, we would not deny for a moment that there is an important role for the Federal Government to perform in redressing the fiscal inequities in education.

SUMMARY OF KEY RECOMMENDATIONS

We summarize below our key recommendations and they are as follows:

First, it is clear that the only Federal program now providing substantial dollars for the public schooling of poor children is ESEA Title I. As presently funded, Title I provides about $1 per participating child per school day, hardly a sum to engender confidence in the program's prospects for success.

We favor substantially larger funding for Title I because it targets Federal dollars on children shortchanged by local and State funding patterns while allowing great State and local discretion in determining the nature of the educational program itself.

Federal regulations now require "comparability" in State and local funds as a prerequisite for a school district's receiving Federal funds. I would interject that we are not naive about compliance with the comparability regulations, but the regulations are there. We urge rigorous enforcement of this desirable but slippery target so that Federal dollars—notably Title I—can provide the compensatory services for which they were designed, instead of merely filling in the holes left by discriminatory State and local funding plans.

New Federal education programs should feature fiscal arrangements which require and/or stimulate State governments to reform their own State school finance programs. Specifically, Federal aid should be designed to encourage State governments to build State finance plans, formulas for distribution, which not only reduce expenditure disparities and move toward full State funding, but also take into account the total fiscal effort of localities, and pupil characteristics which correlate closely with low achievement.

Use of those factors by States would almost surely increase the State aid flowing to urban districts.

Senator **Mondale**. Would you say poor rural?

Mr. **Kelly**. Yes, and I saw your thought there.

Senator **Mondale**. I think that is a bias that has to be eliminated.

Mr. **Kelly**. I accept your comment.

Senator **Mondale**. Somebody was telling me we have a dock strike on the west coast but it is not a national emergency because it is on the west coast.

If it were on the east coast it would be a national emergency. But that is "just the folks out there in the boonies." They should be able to get along all right, I guess.

Go ahead.

Mr. **Kelly**. And if States were to use these factors the way we would like, it would tend to decrease the possibility that States would simply balance any Federal increase in aid for the poor by increases in State aid to the suburbs, a process that probably has been going on since Title I was passed.

A second part of this same problem is the difficulty of assuring that increases in Federal aid are not completely absorbed through salary increases for school personnel, or for tax relief.

A third category would be for educational services, of course.

The former can be partially handled by requiring some sort of proposal from the local district which specifies the educational services to be provided with the Federal money. That is a partial solution. The latter problem can partially be handled by congressional provision that State and local appropriations shall not be reduced, but this does not solve the problem either.

Inadequacy in Available Data

Finally we point to a critical inadequacy in the data available to the Congress and the public regarding Federal aid to education. One of the key fiscal statistics upon which Federal policy should be built is the aggregate Federal aid to each local educational agency, including all Federal programs aiding public schools. Such data would be extremely useful in identifying the extent to which a particular national priority, say, urban education, is receiving support at the present time.

In other words, it would tell us what our policy now is. Unfortunately, these data are now available only in crude and incomplete form.

Senator **Mondale**. Let me see; you think they ought to prepare statistics which show Federal aid to each LEA?

Mr. **Kelly**. From all sources.

Senator **Mondale**. All right, if you ask OE for a breakdown on Federal aid to the Chicago school system, would they tell you?

Mr. Kelly. Well, Senator, 3 or 4 years ago I worked at the National Urban Coalition working on these programs. When I came to Washington I was interested in whether cities were getting a fair shake on Federal aid to education, and I found it was impossible to know.

I do not think Mayor Daley knew and I do not think it can be found now.

If Chicago has 30 percent of the pupils and 60 percent of the Title I pupils in Illinois, what percentage of Federal funds going to Illinois does Chicago get? Does it get 30 percent, 50 percent? Nobody knows at the present time.

We do know of data from the Office of Education on expenditures at the local level.

Senator Mondale. You could find out how much money went to Chicago, but not how much went to Illinois?

Mr. Kelly. You could find how much went through Illinois through the OE programs. You would have to go to some other Federal office to find out how much OEO money went into public schools in Illinois, and similarly for Labor and other departments that would be involved.

Regular Analysis Needed

The best data on the equity of Federal aid in terms of your committee's interest are those that were smoked out in five States in the study at Syracuse University. A number of people are trying to use that analysis as a demonstration and as a device to get the Office of Education, Office of Management and Budget, and Congress jointly to agree that that analysis should be done regularly.

There is a lot of money involved and it is not expensive to get those data. We do not know where the dollars are going.

Senator Mondale. That is incredible.

Mr. Kelly. We call to the committee's attention that the Federal Government does not now have a systematic way of measuring its own overall resource allocation priorities in education. The difficulties encountered by even skilled researchers in focusing attention on the aggregate impact of all Federal aid, not just Title I for example, on a particular type of local district, say, urban districts, underscores the presently fragmented patterns of thinking about Federal aid to education.

Federal policy toward a particular local school district is primarily a function of the relative distribution of Federal dollars; today, we discuss future policy without really knowing what present policy is.

Senator Mondale. All right.

Mr. Kelly. The availability of comprehensive data affects decisionmaking at the Federal level in three ways. These could provide us a rationale for our solutions, and they would provide us a basis for our work.

In closing, we would like to express our appreciation to the chairman and to the members of this committee for the opportunity to present this testimony. We commend the committee for its interest in the challenging problems of equal educational opportunity and hope that our efforts will be of some use in its deliberations.

Senator Mondale. Thank you very much, and I would say that both of you, Mr. Berke and you, Mr. Kelly, have been of great help to us in a pioneering nature in helping this committee to understand the financial elements of the inequality of education.

Your proposal, in effect, calls for interdistrict equality of financial inputs within a State with some adjustments for need yet to be defined.

Is that essentially it?

Mr. **Berke.** Yes.

Mr. **Kelly.** Yes.

Senator **Mondale.** Certainly the California case is a very hopeful and helpful new step on the input side, is it not?

Mr. **Kelly.** Mr. Berke pointed out the *Serrano* decision strikes down the use of the local tax base as the determinant. It allows legislative decision on any other.

Senator **Mondale.** That is right.

Education and Equal Protection Doctrine

Mr. **Kelly.** I would read that decision to mean that an equal-dollar-per-student system would be acceptable, or that an equal-dollar system adjusted on the basis of educational need as we have defined it, in terms of achievement scores and so on, would be acceptable.

Legally, it is a question of what is an acceptable classification of people under State action within equal protections doctrine. The court is saying that wealth is not an acceptable classification for something that is of "fundamental interest" to the State.

Senator **Mondale.** Yet it is a fundamental new decision because it says the State is responsible, and the State cannot shuck off its responsibility by putting the burden on local real estate taxes and accepting the valuation differences that flow between districts.

Mr. **Kelly.** Legislators wanted the best of both worlds. They wanted to be able to specify what shall happen in each and every classroom, but they have created a financial system which the public perceives to be placing major responsibility for financing schools on the local community.

Anything the local community can pick up in the way of State aid should be regarded as a gratuitous gesture by the State legislators.

Legally, the system is not structured that way and the *Serrano* decision makes that clear.

Senator **Mondale.** Do you see a way of dealing with the interstate differences?

I notice your recommendations do not seem to deal with the wide differences between States in their ability to generate revenue.

It would seem it would follow quickly on the heels of the *Serrano* decision, if that becomes generally accepted law, that you must look at the difference not only between the school districts, but the differences between States. Would you not think so?

Mr. **Kelly.** I don't think that it is likely to emerge directly from the *Serrano* argument, because the *Serrano* argument is restricted to State action, intrastate action.

But I think in the eyes of the public and politically, in terms of what will be acceptable in this field if that decision stands, the interstate question of inequity is real and is going to be able to be faced more squarely than we can face it at the present time.

We do not come forward with a specific plan for a Federal program to alleviate interstate differences in expenditures, although we would certainly wish to apply, I am sure, our definition of equal educational opportunity, which implies a direct interest in pupil socioeconomic background, and in achievement.

Mr. Berke can speak for himself here.

Mr. **Berke**. I have nothing to add.

Mr. **Kelly**. We do say, Senator Mondale, that specifically Title I of ESEA is the only Federal program which addresses itself, intra and interstate to our criterion of educational need.

FUROR ABOUT TITLE I FUNDS

We are both acutely aware of all of the furor about how good Title I is. The fact of the matter is that if you want to provide local people with the opportunity to spend money on education and you wish to provide those dollars in greater amounts to the poor than to the rich, the only thing you can vote for in Washington that does that, is Title I.

Senator **Mondale**. And student assistance, which goes to poor people.

Mr. **Kelly**. I am talking elementary and secondary levels.

Senator **Mondale**. The worst thing about Title I is that it has no political constituency, no political clout behind it.

Mr. **Berke**. A thought occurred to me from your comments about the rural problem, and some of the others that is not unrelated to the kind of formula one might want for distributing aid.

My comment is that we took a look at how different formulas relating to educational need would work for New York State. In other words, we simulated, through the computer, where the dollars would go using two different techniques. Using an achievement test technique, we distributed additional money to districts in proportion to the number of pupils below minimum competence by statewide achievement tests. In New York State it is approximately the lower quarter of the class that fits that definition, and distributing additional moneys to districts in proportion to the number of pupils of that kind they have, we found that aid went in large measure to central cities.

But we found also that that kind of measure, unlike the second technique, the use of pupils from homes receiving AFDC was able to pick out suburban areas and rural areas also, and the interesting thing was that there was a very good correlation between the districts with what we would call financial problems, and educational problems, so that as we do move more into this area of allocating aid on the basis of need and as we do look forward to tinkering with the Title I approach and whatnot, I would commend consideration——

Senator **Mondale**. The formula you are talking about, is that based on the number of children below a certain grade achievement level or economically?

Mr. **Berke**. No, it was based on achievement.

Senator **Mondale**. But it tended to have a correlation to economics?

FAMILY ECONOMICS BEST PREDICTOR

Mr. **Berke**. Yes, in fact the scholars who investigated some of the questions you stated earlier found the best predictor as to how a student does in school bears on the economic level of the family.

This is a frightening statistic, and it is one we will have to break down if we are to move toward educational opportunity.

Mr. **Kelly**. Can I make a comment that ties together a couple of loose strands here, particularly about your musing out loud about the political constituency of Title I? In making this comment, I don't want to overemphasize my hope that *Serrano* will immediately stand as the law of the land, but over a period of years, it is likely to stand.

If it does stand, a couple of things might start to happen. A closer political identity on this issue might be perceived between blue collar workers living in suburbs and blacks in cities. According to the data we present in our tables, both groups are misserved by the system.

Second, over a longer period of time, if this decision were to stand, it would remove one of the rationales for maintaining segregated housing in the suburbs, namely that racial minority groups can be kept out of suburban school districts by segregated zoning or some other practice.

If the local tax base doesn't have anything to do with the amount of education they can provide, it would chip away at the problem of distribution of populations.

Senator **Mondale**. Would it be possible to develop a Berke-Kelly formula for true equality in financial distributions which would adjust for this number of children below grade level, the costs of education, the contribution of student body to each other, the contribution of parents, et cetera, and come up with a formula that would truly—with a theoretical target for what is necessary for delivering full equality educational programs?

Mr. **Berke**. I guess that deserves a serious answer though, Senator.

Mr. **Kelly**. I think we can, in our recommendations in the broader report* that we will submit to you, we can specify the kinds of factors and specific kinds of measures that we believe should be involved if a centrally funded distribution scheme is to meet our criteria for educational need.

EQUALITY BASED ON NEED

Senator **Mondale**. In effect, your testimony comes down hard on the point that equality in dollar input is not adequate. You need to have equality based on need. There ought to be a support system which delivers an extra punch where you have a student body or large proportion of the student body which needs extra help, right?

Mr. **Berke**. Right.

Senator **Mondale**. So, the figures you use, the data we have is all dollar input; it doesn't adjust for those other factors.

Wouldn't it be useful to have the Berke-Kelly model which would be a decent system of aids based on these factors?

Mr. **Berke**. Senator, there is nothing I would like better to do. I think we would be delighted to try to put something together and submit it to the committee.

Mr. **Kelly**. In terms of what would be specifically helpful to you, it would be necessary for us to have further conversations with your staff. The two of us would be happy to do that.

Senator **Mondale**. Certainly.

I would like to see a little more breakout, if it is available or can be done, on the plight of the poor rural districts. We are weak in that regard. And anything that will show the interstate differences in effort, dollar amounts, or whatever.

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*See Committee Print: Financial Aspects of Equality of Educational Opportunity.

Mr. **Kelly**. That can be done.

Senator **Mondale**. And some suggestions for action.

I don't want to pick on Arkansas—but I suspect if the State of Arkansas took the *Serrano* case and had a full program of equality of education input within the State, for all practical purposes, the children of Arkansas would still be cheated if one looks at their status as American citizens.

Mr. **Kelly**. Well, on the interstate problem, we can provide all sorts of data for you and those data are available relatively easily through the NEA and the Office of Education.

The rural problem we will have to dig on, and we will do what we can.

Senator **Mondale**. All right.

The committee is in recess, to reconvene at 10 a.m., on Thursday, in room 1114, of the New Senate Office Building.

(Whereupon, at 12:10 p.m., the Select Committee was recessed, to reconvene at 10 a.m., on September 23, 1971, in room 1114, of the New Senate Office Building.)

INEQUALITY IN SCHOOL FINANCE

THURSDAY, SEPTEMBER 23, 1971

U.S. Senate
Select Committee on
Equal Educational Opportunity
Washington, D.C.

The Select Committee met at 10:05 a.m., pursuant to call, in room 1114, of the New Senate Office Building, the Honorable Walter F. Mondale, chairman of the committee, presiding.

Present: Senator Mondale.

Staff members present: William C. Smith, staff director and general counsel; Donn Mitchell, professional staff; and Leonard Strickman, minority counsel.

Senator **Mondale**. The committee will come to order. This morning we continue our hearings into the issue of school finance which relates to equality in education. Our first witness is an old hand at this issue, Mr. Julius Hobson, director of the Washington Institute for Quality Education, Washington, D.C. Following his testimony, we will hear from Mrs. Catharine Barrett, president-elect of the NEA, and then, Dr. Charles Benson, staff director, New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education.

We are very pleased to have you here with us this morning.

Mr. **Hobson**. Thank you very much. I have some more statements coming for the press as soon as the young man comes in.

Senator **Mondale**. Very well, we'll distribute them when they arrive.

Mr. **Hobson**. Thank you.

Senator **Mondale**. And we appreciate your willingness to testify out of order here.

STATEMENT OF JULIUS W. HOBSON, DIRECTOR, THE WASHINGTON INSTITUTE FOR QUALITY EDUCATION, WASHINGTON, D.C.

Mr. **Hobson**. All right. My name is Julius W. Hobson. I am the director of the Washington Institute for Quality Education. WIQE is a nonprofit organization designed to develop action research programs in public education. I also teach a course at the American University entitled, "Social Problems and the Law." I'm here to discuss the effect of unequal resources among schools within school districts and the extent to which Federal programs benefit disadvantaged children using the D.C. public system as an example.

In the District of Columbia, education is a big industry and should be administered as such, it seems to me. Washington schools have an average annual budget of over $150 million, if you count funds from all sources, with approximately 18,000 employees and over 6,000 teachers serving some 143,000 children in over 200 school buildings.

Up to now, large urban school systems in the United States have traditionally consigned the poor and the black children to the social and economic junk heap. This goal has been accomplished through a variety of vehicles, some obvious, like simple segregation by race, others more subtle, such as an unequal distribution of educational resources, rigid tracking, and inferior physical plants, and the District of Columbia is guilty of the whole kit and caboodle.

In fact, my first challenge to the District of Columbia schools occurred in 1953, under Superintendent Carl Hansen, when I attempted to take my 6-year-old son to the closest elementary school, all white, rather than transport him out of our neighborhood to another school, all black. There were no top-level objections then to busing children in order to maintain segregation. The whole issue of busing is a camouflage, I think, both on the part of Mr. Nixon and of the NAACP——

Senator MONDALE. What does your comment mean about the NAACP?

Mr. HOBSON. I beg your pardon? Well, I just think the issue of integration is a dead issue in the black community. I don't think anybody is concerned about where they sit in a public school anymore. I think we have achieved the primary purpose of the Supreme Court decision of 1954; namely, that we have now disallowed State and Federal sanction of segregation and now, I think the argument is whether or not we are going to divide resources and where we are going to place teachers, books, supplies, and equipment, and not who we are going to sit down by.

I have an impression that if the District of Columbia public schools had a reputation for being excellent, the whites would flow back in here like the birds fly back in summertime. The point of integration was to go where the gravy was, the resources. The resources—good schools—were in the white community. That was our argument in favor of integration.

Senator MONDALE. So, that it's your opinion that the key objective of the *Brown* decision has been achieved; namely, the elimination of dual school systems and that that was the key objective, as you saw it, rather than body mixes?

RELEVANCE OF INTEGRATION

Mr. HOBSON. Well, I didn't have a key objective in the decision, but that certainly was an objective. The State is now prohibited by statute and by the Supreme Court, from using its power to sanction segregation. So that means that if I live in your community next door to the school, I don't have to bus my children all across town. He can go to that school.

I think that fight has now moved to another arena. The area of jobs, and the opportunity to earn enough money to live in whatever community I might like. The emphasis is not whether the school can integrate, but whether the whole country can integrate.

Senator MONDALE. Is it your belief, then, that the NAACP, in encouraging busing, is really carrying out a cause irrelevant to education?

Mr. HOBSON. I think it's irrelevant to the whole education thing. It's an argument which went on in the 1960's, which I joined and which everybody I know joined, but I don't see any center city people who are now not all that anxious to integrate.

Senator MONDALE. Well, would it be fair to say, then, that you agree more with President Nixon, who opposes busing?

Mr. HOBSON. Certainly, and, I don't agree with Nixon on even the way he spells his name, but I'm not here to agree with Nixon; I'm here to discuss the real issue, which is inequality in the distribution of public resources.

Senator MONDALE. Very well.

Mr. HOBSON. Integration was only a temporary and expedient ploy to postpone the more important and revolutionary issues related to the equal distribution of public funds in public programs. In other words, should tax benefits be disbursed according to the level of payment, or, in a democracy, should we be talking about one man, one dollar?

It is extraordinary to me that these really significant questions have been ignored for a long time and that we are now, for the first time, addressing ourselves to what is obvious. The fight for equal resources is not a black or white fight; it is a war perpetuated by those who benefit the most from public resources against those who are unable to object.

The research leading to Judge J. Skelly Wright's opinion of June, 1967, in the *Hobson* versus *Hansen* case, exposed the differential treatment within the District of Columbia system. After a 2-year struggle, we were able to secure through court order data on the average expenditure per pupil in elementary schools. These data ranged from a low of $216 per child in the poor and black community to a high of $627 per child in the wealthy white community, or 190 percent more for the white child than for the black child in the school year 1963–64.

We put these in the court. When these data were put before the court, the differential in expenditures per pupil between the lowest school in the predominantly black community and the highest school in the predominantly white community amounted to $411. By 1968, this spread had increased to $506. Data for 1970 showed that the differential had reached an unbelievable amount of $1,719 between the lowest elementary school expenditure per pupil and the highest elementary school expenditure per pupil.

DISCRIMINATION BY RESOURCES

Judge Wright's 1967 opinion decreed that discrimination in the distribution of public resources based on race or income was unconstitutional and thereby ordered the school system to set about eliminating this differential. The judge stated that:

> The doctrine of equal educational opportunity for Negro and poor public school children of the District of Columbia, under the equal protection clause in its application to public school education, is in its full sweep a component of due process binding on the District of Columbia under the due process clause of the Fifth Amendment.

The District of Columbia school administration made no attempt to abide by the judge's decree, even though it was upheld at the appeals court level. Thus, the plaintiffs returned to court in 1970, asking that the school administration be directed to equalize expenditures per pupil based on teachers' salaries from regular budgeted funds. The court found on behalf of the plaintiffs and so ordered on May 23, 1971.

My testimony from here on will deal with the statistical proof upon which the case was based. The District of Columbia public schools over the last 6 years have fared well in terms of money received from the U.S. Congress. In fact, the data in table 1,* if you will turn over and look at table 1, show that the District of Columbia schools have had an increase in appropriated regular budgeted funds of 83.5 percent from 1966 through 1971, and that the average amount of funds appropriated versus funds requested over the same period amounted to a fantastic 95.8 percent—a higher batting average than any other school district in the United States.

Senator MONDALE. Is that figure for the 1971—is that a direct appropriation? That doesn't come through Title I or any of the other——

Mr. HOBSON. That does not come through Title I. What I am talking about is regularly budgeted funds. I am not talking about construction funds, only regular funds used to pay teachers' salaries, buy books, and things like that.

Senator MONDALE. In other words, the school districts of the District of Columbia get $138 million for general operating expenses?

Mr. HOBSON. Right.

Senator MONDALE. In addition to that they get Title I?

Mr. HOBSON. In addition to that they get Title I. The whole budget averages $150 million.

Senator MONDALE. When you consider all the Federal contributions?

Mr. HOBSON. Right. So it seems to me that they are well paid.

Table 2 * shows that in the fiscal year 1969, the District of Columbia public schools had more professional staff, excluding teachers, per 1,000 pupils than does, for example, New York City, Philadelphia, Baltimore, Boston, or Cleveland, if you look at that table.

Senator MONDALE. Let me ask you a question. You are familiar with these tables; I'm not.

In other words, your figures disclose that where New York has 54 teachers per 1,000——

Mr. HOBSON. Not teachers, professional staff. That excludes teachers.

Senator MONDALE. That would include administrators, principals, central office personnel, and so on?

Mr. HOBSON. Right, excluding teachers.

Senator MONDALE. Does that include custodial personnel?

Mr. HOBSON. Just professional staff.

Senator MONDALE. All right. Now, in New York they have 54 teachers per 1,000 pupils; Washington, D.C. has 63 per 1,000 pupils?

Mr. Hobson. Right.

Senator MONDALE. In other words, from your table, then, it appears that by a substantial proportion, 15 percent or so, Washington, D.C. has a higher professional staff ratio per pupil than any school district shown on this chart?

Mr. HOBSON. Shown on this chart, and any city I have been able to find. In fact, we have school supervisors in Washington stumbling all over themselves in duplicating programs.

Senator MONDALE. I want to ask about that a little later.

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* See Part 16D, Appendix 3.

Utilize Existing Funds Correctly

Mr. Hobson. It appears, therefore, that the answer is not more money to do more of what the school system is already doing or to add more deputy and duplicate superintendents, but rather to engage in a more economical and intelligent utilization of existing funds directly in behalf of the children.

If I may, I'd like to call your attention to the scatter diagram* which is on the back of your statement there entitled, "Relation of Average Per Pupil Expenditures to Neighborhood Income Levels for the School Year 1969–70." It shows that one District of Columbia elementary school at the highest extreme had average expenditures per pupil of $2,024 per child, while the lowest expenditure per pupil in another elementary school came to $305, or a differential of $1,719.

Senator Mondale. What school was that?

Mr. Hobson. That was Bundy.

Senator Mondale. What school was the lowest?

Mr. Hobson. Just a moment. Let me look at my notes. That was Thomson Elementary. In other words, expenditures per pupil on the scatter diagram really range from a low of just $100 per child.

Now, the reason I didn't include the $100 in counting the differential was because they screamed that that's an annex and that that should not be included, so I left that out, and went to the next lowest to make sure that I got in what they call an elementary school, but even at that, when I went before the judge and said, "Look at this differential of $1,719," our case was then made so airtight we could have won it in the South African court.

I'd like to turn now to, "The Damned Children," which is a graphic representation of public education in the District of Columbia from 1906 through 1969, and it discusses the District of Columbia "education" from its inception in 1906 down to Johnny's ability to read in 1969.

I think it graphically presents segregation and discrimination in the terms of the distribution of public resources in education. If I might call your attention right fast to chart 1 that appears on page 9.

Selection of School Board

The Board of Education was selected in the District of Columbia public schools based on race. They had a quota system from 1906 through 1961. They had a quota system of three blacks and six whites. There were nine people on the Board of Education.

Now, it appears that in 1962, they increased the Board to four blacks and 1967, to five and then, we elected a Board of Education which is now primarily black, and when I went to court in 1966, the Board was primarily white. It's now primarily black, and it's now engaged in the systematic destruction of children just like it was when it was primarily white.

We lost the case before the U.S. District Court to try to get them to declare this method of selecting the school board unconstitutional on the grounds that the Constitution states that a Federal judge shall have the right to appoint those officers who have functions peculiar to the functions of the court, and I did not find that a school board member had a function that could be considered peculiar to the function of the court.

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* See Part 16D, Appendix 3.

We lost that on a split decision with Judge J. Skelly Wright dissenting. Congress subsequently put together a bill which gave us a school board with only the power to sit down. Our proposal in court was to have a Board of Education to control its own taxes and so forth.

Now, let's talk about the temporary teachers, which appears on page 11, charting the distribution of teachers.

In the District of Columbia, they have a definition of three types of teachers. There's a permanent teacher, who has all the academic requirements and who has passed the examination to become permanent, and who by that definition, when they come to you to get money, is a good teacher and gets a high salary.

There's a temporary teacher, who has not passed the examination to become permanent and cannot or may not have all the academic requirements. That's the lowest teacher who gets a contract from year-to-year and then, there's a probationary teacher in the middle who has the academic requirements, has passed the examination to become permanent, but who is still serving a probationary period.

Now, if you look at the distribution of teachers in terms of the Board of Education's definition of what a good teacher is and where they are assigned, as shown in chart 2, you will see that in the neighborhood where the income level was around $3,999 and under, 46 percent of the teachers were temporary, when if you go over to the other income extreme on that chart, you see that where the income level was, say, $12,000 and up, 23 percent of the teachers were temporary.

Now, I'm not an educator, but I do disagree with the school administration's definition of a good teacher. However, in court this made an excellent argument and we won on this point going away.

If you look at the 1969 data, you'll see that the distribution had not changed too much. If you take the lower neighborhoods versus the higher, on page 13 of the booklet, the chart entitled "Degree of Teachers Segregation in All-white and Predominantly White Schools," we see that in 1962, 9 percent of the teachers in predominantly white elementary schools in the District of Columbia were black. By 1966, this percentage had decreased to 3 percent.

We put that in court. Judge Wright ruled then that there definitely was teacher segregation in public education and that the teaching staff should be integrated. That came down in Hobson I in 1967.

THE "TRACK" SYSTEM

We'll pass the dastardly track system which was designed by a man named Carl Hansen, which consigned the poor and black to an economic junk heap. Suffice it to say some 90 percent of those children living in the community where the median income was $3,800, were consigned to the basic and general tracks, which did not have curriculum leading to college education, and there were no honors tracks in the black community.

If you go down to the other income extreme of this chart where the median income is above $10,000, you'll find just the opposite—over 90 percent of the children were assigned to the regular and honors tracks—and there were no basic tracks. The U.S. District Court declared the track system to be unconstitutional, and we no longer have on paper a track system in the District of Columbia.

Now, books. If you look at the chart on page 19, we talk about the distribution of books and supplies in public education in the District of Columbia. I'm told by educators that if you read 10 books you are smarter than the guy who reads five. So, I assumed that children who get 10 books versus those who get five get more education, by educator's definitions.

If you look at that chart you'll see that the 15 highest schools had an average number of books per pupil ranging from 21 per child to 28 per child.

Senator MONDALE. These are books in the library for instruction?

Mr. HOBSON. This excludes library books. These are just textbooks given to students to study. If you look at the 15 lowest schools in terms of books per pupil, you will find those schools had an average of from four to 10 books per child. This was a clear maldistribution of public resources in terms of the distribution of books and supplies.

Now, an interesting table, again, is the one entitled "Average Expenditure per Pupil in the Elementary School by Neighborhood Income Groups in 1965."

Washington, neighborhoods with the lowest average incomes are primarily black, and neighborhoods with the highest average incomes are primarily white.

The chart shows that in 1965, elementary schools in lower and moderate income neighborhoods—under $9,000—had average expenditures for pupil substantially lower than those in the higher income areas—$10,000 and above—$306 contrasted with an average of $396 per child.

Senator MONDALE. What was the main element in the difference; teachers pay?

Mr. HOBSON. The big element was in teachers pay. In the District of Columbia teachers' salaries make up from about 70 to 75 percent of the operating budget.

Senator MONDALE. In addition to the teacher differential, what was the next highest?

DISTRIBUTION OF EQUIPMENT

Mr. HOBSON. The next highest differential was in terms of distribution of books and supplies such as visual aid equipment, screens, projectors, and that kind of equipment—typewriters. For example, I have charts and data which are not included in this book which show a distribution of this kind of equipment.

We have schools in the District of Columbia that teach typing that still have standard typewriters. We have schools that do not teach typing that have electric typewriters. We have schools in which you have almost one typewriter per child and some in which you have four typewriters for 500 children, so it's that kind of distribution of equipment and supplies which is reflected in the rest of that regular budget money.

We brought that to the court's attention.

Now, if you'll turn to page 22, you'll see a glaring differential in expenditures per pupil by school, which is what I talked about in court. In southeast Washington, which was predominantly black, the average expenditures per pupil in the lowest elementary school, which is called Watkins, and I think that is located in Anacostia, was $216 per child in the school year 1963–64, while west of Rock Creek Park, which was predominantly white, the lowest average expenditure was $338, and the highest was $627 per child, which came to something like two or three times as much as was being spent in Watkins. There are 11 schools in Anacostia, all 11 of them had average expenditures per pupil lower than the lowest average expenditure per pupil in any elementary school in the white community.

The court declared that this was maldistribution and therefore unconstitutional. We looked at 1968 after the decision came down and we see that the situation has not changed too much. That the average expenditure per pupil gap had gotten wider, from $411 in 1963, 1964, 1965, to $506 in 1968, and finally, to $1,719 in 1970.

Senator MONDALE. Was there any movement between the first decision and 1968? There's a modest difference here in the amounts of increased spending, I see, in the poor black schools. Did they start redistributing books or typewriters or anything and try to refrain from the faculty redistribution of what? Was there any response at all from that decision?

Mr. HOBSON. I was on the Board of Education before I was kicked off at the next election, and the only thing that I detected that they did was to eliminate on paper the track system. They definitely did that.

Senator MONDALE. In terms of distributing?

Mr. HOBSON. And the other thing they did was make an attempt to integrate the teachers and the third thing they did was to bus those children who volunteered from low-income communities to the high-income communities, about 500 children, but in terms of the distribution of resources, as I pointed out here, the gap got wider if you counted in terms of the money.

UTILIZATION OF TITLE I MONEY

Now, the Federal money—which is very interesting. What did they do with Title I money in terms of discrimination? If you look over on page 27 of the book, you see chart 13 and the title of that chart is "Pupils and Expenditures in Schools Above and Below the Median Expenditure per School in 1968."

Now, might I just stop here and say that the former Commissioner of the Office of Education made an observation that Title I, or ESEA money, should not be given to school districts unless they have equalized expenditures per pupil from regular sources. I don't know whether that ever became a statute, but it was a regulation in the U.S. Office of Education.

In the District of Columbia in the school year 1968, you will see that the median expenditure was $419.50. Half the schools had expenditures below that and half had expenditures above it, but in terms of the children in those schools, that top bar shows you that of the 94,000 pupils in the public elementary schools at that time, 65 percent were in school with average expenditures per pupil below the median and 35 percent were in schools with average expenditures above the median.

Now, of the regular budgeted money shown to be $37 million in that year, 60 percent went to 65 percent of the children and 40 percent went to 35 percent of the children, but the dastardly picture that comes out is what did they do with Title I—ESEA money—that was supposedly appropriated to deal with disadvantaged children?

If you look at the last bar you will see that they spent 34 percent of Title I money on the 65 percent of the children in the poorest schools and 66 percent of the Title I money on the 35 percent of the children in the wealthiest schools.

Senator MONDALE. I noticed that received some attention in the papers recently. How did they allocate that money? Was it on a geographical basis?

Mr. HOBSON. They just did all kinds of things. They paid teachers and sent people on trips and it was the most crazy-quilt operation. I spent a year on the Board of Education trying to get some detailed information and finally came up to a memorandum to the Office of Education in which I pointed out some of the things they are doing, and I want to caution you about District of Columbia public school figures. It's very hard, if not impossible, to get your hands on a figure which you can stand on. When you put one into court you apologize and say, "This is what they gave me." So, I ended up with a table from the school administration showing appropriations for Title I of about $4 million; and, another table showing appropriations of above $5 million, believe it or not, both tables were for the same year. I took the $5 million because the statistics looked better in terms of the kind of agitation I am concerned with. Both tables came from the public schools and were signed by the superintendent.

Senator MONDALE. It seems to me I recall reading that the board or the administrators picked one geographical area to receive all the Title I money. Is that what they did?

Mr. HOBSON. No; they didn't. The Title I money went to the schools with the higher average expenditures per pupil, both black and white, and those schools were located in the wealthiest communities in wards 3, 4, and 5. That's where the Title I money went. The schools in Anacostia and schools in the central northwest did not get very much. That's what this bar shows down here at the bottom of the table.

TEST OF A PUBLIC SCHOOL SYSTEM

It seems to me that there's one test that a noneducator like myself can impose upon a public school system without worrying about how you write a curriculum and what a good teacher is, and that test is can Johnny read, write, spell, and communicate in the world of 1971 at the proper levels.

Now, if you will look at the table that appears on page 33, of the book you will see how it shows that the amount of money spent on Johnny is related directly, in some kind of way, to his ability to read.

If you look there, these are 1969 data, and they show that in the communities where the income level was below $8,000 they spent on an average of $388 per pupil in the school year 1968, and that 96 percent of the elementary schools in that community reported their children were reading below the national norm.

Now, if you look at the right side of the table where the income level was $8,000 and above, you will find that they spent $435 per child and 94 percent of the elementary schools in that community reported that their children read above the national norm.

Senator MONDALE. Do your figures show the extent to which the average child in these poor schools was below the national norm in reading levels?

Mr. HOBSON. I do not have that figure.

Senator MONDALE. Can you just give me an opinion of what it is?

Mr. HOBSON. I can't put it in terms of percentages, but I can put it in terms of grades. The average child in the District of Columbia, based on rough calculations that I have done but would not publish because they have not been substantiated, is 4 to 5 years behind in reading after that child reaches the sixth grade.

In other words, the average sixth grade child is reading somewhere around the second grade level, and in high school, around the fourth or fifth grade level, so it averages out. It varies with the high schools and with the elementary schools.

Senator MONDALE. You mean it's your feeling or belief that an average poor kid in black schools in the sixth grade is reading at second grade level?

Mr. HOBSON. Second grade level if reading at all.

Senator MONDALE. What is the absentee percentage? Do you have any idea?

Mr. HOBSON. The absentee percentage, which I found and is unpublished in any reports, for the school year 1969—and I don't think it has changed that much—was 33 percent in the high schools that I looked at.

Senator MONDALE. Somewhat lower in the elementary schools?

Mr. HOBSON. Somewhat lower in the elementary schools, right. I'd like to return, and I don't have too much more testimony, to my paper here and mention the California decision, which I think everybody agrees is a landmark decision in public education in terms of distribution of resources between school districts, but there's a bit of caution as far as I'm concerned that should be taken into consideration when you look at the California decision.

I'll read you my paragraph. Following Hobson II, which was a decision that we got in May of this year, comes the decision from the Supreme Court of the State of California on August 30, 1970, stating that:

> The California public school financing system, with its substantial dependence on local property tax and resultant wide disparities in school revenue, violates the equal protection clause of the Fourteenth Amendment of the United States Constitution.

DISCRIMINATION AGAINST POOR

The court related further, and I quote:

> We have determined that this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors.

While this is a landmark decision, which, if left standing, will revolutionize funding among school districts within the States, it does nothing about discrimination against individual children within school districts and still allows the kind of discrimination to exist which existed in the District of Columbia in 1964. It is still possible in the State of California for any one school within a school district to receive one-half the funds received by any other school within that district, thus leaving school districts with the full right to continue discrimination against minorities and poor children under their jurisdiction, which the data show they are doing.

I have looked at schools of comparable size. I have worked in San Francisco; Trenton, New Jersey; New York: Dayton, Ohio; and Columbus, Ohio, and they have the same kind of disadvantages which we had in the District of Columbia in terms of how the money was distributed.

It is evident, then, that the parents in California are faced with duplicating the *Hobson* versus *Hansen* decision in order to assure the elimination of discrimination against minorities and the poor. In other words, California is where the District of Columbia was in 1967.

I applaud the California decision, but I have talked to the lawyers that argued that case and I have talked to a number of people who worked on it and they are now trying to do what we have done in the District of Columbia.

INFORMATION AVAILABLE TO ALL

We could not have made this case had we not been able to get the data. We were able to obtain data through my good friend, Adam Clayton Powell, who was chairman of the House Committee on Education and Labor. He held hearings in 1965 on the public schools which gave us the basic data which led to this decision. People out in other cities don't have this opportunity and they are told by school administrators when they go to get information that it's confidential, it's restricted, it's unavailable, and it's secret. So I stopped at WIQE and did a publication entitled, "The Damned Information," which is a compilation of State access statutes and it has a complete text in it of the Federal Public Information Act.

Senator **MONDALE.** Could we have a copy of that for the record?

Mr. **HOBSON.** You may have this copy. The preface was written by Congressman John Morris, who was chairman of the committee which authorized that piece of legislation. In each State there's an access statute which says something to the effect that if you're a citizen of that State you have a right to a public document or you have a right to copy a public document, so I'm distributing this book all over the United States to groups of citizens, and to public interest law firms so that they may get information regarding their public schools. The booklet is just a pulling together of State access statutes which I hope will be helpful to interested persons and organizations.

Senator **MONDALE.** Would you yield there for a moment? Regarding this question of getting information that you have obtained in the District, yesterday we had a top school economist from Syracuse testify that financial information within school districts is practically unavailable. You can get many stacks of information broken down about differences between the school districts, but to do what you did here in the District it is very hard to obtain this information on a school by school basis. The Office of Education doesn't collect data, apparently, or at least, doesn't make it available. Would you agree with that, and what would you propose to help make this data available.

Mr. **HOBSON.** I don't agree with that. I don't think it's possible to administer public schools without knowing how much money is going to each school. I don't think there's a school district in the country that doesn't have somewhere in its file a record of the total amount of money spent in each school.

FORCE DISTRICTS TO RELEASE DATA

Now, it may not be broken down in terms of how much to books, how much to teachers, but the NEA as well as the Office of Education, publish data showing that teachers' salaries average from 60 to as high as 80 percent of the operating budget, so on the basis of that percentage, you can figure out the approximate amount going to teachers' salaries. I think it's available. I think it's a matter of forcing school districts to release the data.

We went to Dayton, Ohio, to ask the school administration for data which they said was not available. I read them the law and asked, "Do you want to have a court fight or do you want to give us the data?" and they gave us the data.

Senator MONDALE. They gave you the data?

Mr. HOBSON. They certainly did. And I'm developing the data for a parents group in Dayton, Ohio. I also worked on data with a group of people who put together a case which is going to be filed in the State of New York. We got data from the New York school system. I don't see how one can administer a school system without these data. How can you run an education system without knowing how much is going to elementary; or how much is going to high schools?

Senator MONDALE. That reminds me of the old truth in lending issue. When we tried to pass the truth in lending legislation the banks said there's no way to determine the interest rate, and we said, how do you compile it, then—by the sun coming up in the morning? But as soon as we published it, within 2 weeks everyone knew how to compile interest.

Mr. HOBSON. I think we are blessed to have the Congress doing something about it. If I were a citizen of Dayton, Ohio, I would come and say, "Look, I tried to get some information on education. How about trying to help me get it."

I don't know if you are familiar with the hearings held by Congressman Pucinski in 1966 and 1967 on the District of Columbia public schools, but it was the most comprehensive and probably the most detailed and informative material I have seen on the District of Columbia. It was the basis for our data used in court.

Senator MONDALE. Now, you indicated in one of your charts that the percentage of professional personnel per pupil in Washington, D.C. is the highest you were able to find. Relative to school districts of comparable size, Washington has 63 per 1,000 as compared with 49 per 1,000.

Mr. HOBSON. Yes.

Senator MONDALE. One of the things that has fascinated me is the size of these central city bureaucracies. Would you say, based on this chart and your own experience in the central bureaucracy of the D.C. public school system, that it is larger than most?

Mr. HOBSON. Oh, I think it's larger and I think it is to the detriment of the children. I have no personal animosity toward any individual working in the public schools at this particular time—I may have tomorrow—but the point is you have deputy and literally duplicate assistant superintendents all over the place. The school is paying $6.50 per square foot rent and each time they talk about decentralizing and reorganization of the central staff, they go out and hire more people, and the money which is being appropriated for public education is not getting down to Johnny.

Senator Mondale. Do you have figures on what amount is being spent in the central pentagon and how much is being spent at the classroom teaching level?

Mr. Hobson. I have some calculations, which I gave you which I will caution you about. I did not bring them with me.

Senator Mondale. Just give me your observations, now.

65 Percent for Administration

Mr. Hobson. I have an astronomical percentage which show that 65 percent of the money appropriated for education goes for administrative expenses in the District of Columbia public schools.

Senator Mondale. How do you define it? Would that——

Mr. Hobson. That is broadly defined. That includes principals' salaries, everybody from a principal and up. It includes rent and it includes all those people who are chauffeured around out there, and secretaries and the whole administrative staff of the District of Columbia public schools. Most of the money goes for that. It does not go for teachers' salaries and it does not go to the children.

Senator Mondale. How many professional people are there in the school system of the District who are not teaching but who are in an administrative or some such capacity?

Mr. Hobson. I don't know that figure.

Senator Mondale. What would you guess?

Mr. Hobson. Oh, gee. I would be afraid to make a guess because it could be anywhere from 500 or so. I have not calculated that so I'm unable to say.

Senator Mondale. Well——

Mr. Hobson. Let me just say, there's a problem with definition here. I'll define administration. What I'll do is get a Government publication from, say the Government Accounting Office. They have a definition of administration, administrators, administrative expenses. And as a kind of standard definition, I'll take that standard definition and on the basis of that standard definition of administrative expenses, I'll figure out the administrative expenses of the District of Columbia public schools.

Now, if I take out the principals, then of course, the teachers take most of the money, but if you leave in the principals the teachers get less.

Senator Mondale. I have some sympathy for the need of a principal in the school system. I'm trying to figure out the amount of needless waste in overhead that accumulates in these central cities.

I think I'm correct that the superintendent of San Francisco is fairly new—has been there for about a year. In his first conference after he had been there for a couple of days he said, "I can't imagine what I'll do with all these people." And he told them all, "Go out and teach," and they had a huge rally demanding that not be done, so he sent a lot of them out to meet the kids, again.

Now, it seems to me that the public is not going to support these schools unless it has confidence in them and when you read stories—I think I read they had 34 chauffeured cars in the District school system. How does that contribute to confidence?

CHAUFFEUR-DRIVEN BOARD OFFICIALS

Mr. HOBSON. More than any other city in the United States. I think the article said that we have more chauffeur-driven officials in this town than any other town in the country, but in schools, I don't know, about 34, they had some 24 when I was on the Board of Education. I was offered the services of a driver, which I never used. I felt foolish, as a two-bit Board member, being driven around.

Senator MONDALE. It seems to me the incentives often go this way: that the lowest level of school enterprise is schoolroom teaching—that's sort of a buck private job—and that the real status is to be found when you arrive in that central headquarters with a supervisory, administrative job; then someday, with a higher salary and someday with a car. That's incentive to get on up there where you have status; is that accurate?

Mr. HOBSON. That's very accurate about the District of Columbia public schools. The whole idea is get away from teaching into administration.

Senator MONDALE. And because of that your best teachers are spotted and end up in the central system.

Mr. HOBSON. We lost one that way—Mr. Rose, who was a very good principal and had a reputation for running a good ship. He has resigned, now, but he was in the school administration. He moved from teaching out of contact with the children.

I think that the schools exist for the benefit of the children. There is one other point on public education you can make, which reflects the educators' attitudes toward the children. That is that education is the only industry in the history of this free enterprise system that hold the consumer—the child—responsible for the quality of the product. "He's black, he's a bastard child, he doesn't know who his father is, he lives in a room with six people, he has never been to a library, so therefore, he can't learn," thus the teachers and school administrators are able to escape evaluation.

I worked in the Government for 25 years as a statistician, and every 6 months I was evaluated and expected to be. Teachers are fighting the attempt to evaluate them in terms of Johnny's ability to read, and Johnny's ability to read is their product. People working in a $150 million corporation with 18,000 employees and over 200 buildings, need to be held accountable.

MALADMINISTRATION IN DISTRICT OF COLUMBIA

The District of Columbia school administration is guilty of bungling and maladministration and misuse of money. I'm not saying anybody is stealing, but stupidity does reign supreme in the District of Columbia public school administration.

I have a chart which I obtained from the public schools showing public projects in special schools using funds from all sources. We are spending something like $36 million a year on special projects, most of which have never been evaluated.

For example, a reading program put in in 1968 and still going has no measure in effectiveness in terms of how Johnny is reading.

Well, I want to thank you for the opportunity to testify——

Senator MONDALE. Thank you very much for your contribution. I think this is unique testimony in that it gives us insight into the inter-District distribution of funds. Your testimony with the charts as well as the two documents you submitted will be made a part of the official record.* Thank you very, very much.

Mr. HOBSON. Here is a copy of "The Damned Information."

Senator MONDALE. That's what we want. Thank you very much.

Our next witness is Dr. Charles Benson, who is with the University of California, and also staff director of the New York State Commission on Quality Cost, and Financing of Elementary and Secondary Education, and one of the outstanding school economists in the country.

We are delighted to have you here this morning.

STATEMENT OF CHARLES S. BENSON, PROFESSOR, DEPARTMENT OF EDUCATION, UNIVERSITY OF CALIFORNIA, BERKELEY, AND STAFF DIRECTOR, NEW YORK STATE COMMISSION ON QUALITY, COST, AND FINANCING OF ELEMENTARY AND SECONDARY EDUCATION

Mr. BENSON. Thank you, Mr. Chairman. My name is Charles Benson, and I'm a professor in the Department of Education, University of California, Berkeley, and staff director of the New York State Commission on Quality, Cost, and Financing of Elementary and Secondary Education. I think that's a commission with, perhaps, the longest title of any current. I believe there are 83 letters in the name.

Sir, there are three topics on which I ask your permission to speak.

One is problems that exist in the present system of finance; the second topic is what States might do to substantially improve their financing of the public schools, and I think there are two main options—what is called district power equalizing and full State assumption; the latter being much my preference, and third, if I may, I would like to make comments about what the Federal Government might do to aid this process of transition to a new system.

FINANCIAL SYSTEM INEQUITABLE

On the first topic, the problems in our present arrangements, as the *Serrano* case so clearly indicated, the education finance system is inequitable. Some poor districts pay high tax rates for meager programs and some rich districts pay taxes locally at low rates to provide themselves with very handsome programs.

This is true in California; this is true in New York; it's true at points in between.

For half a century the States have tried to produce an equitable system of finance but their efforts to date appear inadequate, as in the past. Some of the reasons for the present arrangements producing this rather strange result that under a system of State equalization grants you still have gross inequalities, these are stated in the document I submitted to you, sir, and I would rather, if I may, move to some additional material.

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*See Part 16D, Appendix 3.

Senator **Mondale**. What we'll do is to put your statement in the record* as though read and you can emphasize those points you wish today. I have read your statement.

Mr. **Benson**. Thank you. What I would like to do is to read a few paragraphs about the situation in New York State. Now, this is material that has been completed after the statement to you was itself written. May I read?

Senator **Mondale**. By all means.

Mr. **Benson**. Now, this says, let us look in detail at the situation in New York. Consider Long Island, the second largest—next to New York City—region of the State in terms of public enrollment.

In 1968–69, there were 615,494 persons enrolled in the public elementary and secondary schools of Long Island's two counties, Nassau and Suffolk. This enrollment represented 18.1 percent of the State's total. Along with the Island's large number of students goes a large number of school districts. Though Long Island is not a large geographic area and though much of it is densely populated, it had 131 school districts in various classifications in 1968–69. Ninety-two of these had enrollment in both elementary and secondary grades.

What of revenue differences among these 92 local authorities? Great Neck had revenues 57.32 percent above regional average and Massapequa had revenues 18.14 percent below regional average. By regional standards, both of these two districts are large in enrollment.

Now, the absolute dollar difference per student between Great Neck and Massapequa was $996.53 of our $1,000 per student.

Senator **Mondale**. What was the per capita expenditure in the one versus the other?

Mr. **Benson**. The per capita?

Senator **Mondale**. Per pupil.

Mr. **Benson**. Per pupil, yes. In Great Neck it's approximately—I don't have a precise figure—but it's approximately $2,000, and in Massapequa, approximately $1,000 per student per year. Those are close, but not exact.

Now, this difference between these two divisions, then—between these two districts, is approximately $20,000 a classroom. There is no clear reason to expect that students in these two districts have such different interests and ability that a $20,000 per classroom disadvantage for Massapequa youth can be justified in educational terms. Granted, these differences are rather extreme on the Island.

OPPORTUNITES UNEVEN

The fact remains that educational opportunities there are markedly uneven. Furthermore, the area of Long Island is sufficiently small that one would not expect revenue differences to be offset by differences in costs; that is, in prices of educational services.

For example, the salaries that Great Neck and Massapequa would need to offer in order to hire teachers of a given standard of proficiency would be approximately the same. Probably whatever differences exist to the favor of Great Neck because of its reputation as an outstanding school district.

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*See prepared statement of Mr. Benson, p. 6709.

So, what I am saying up to now, sir, is within a small bounded geographic area there are roughly 2 to 1 expenditure differences that one finds hard to defend; either on the basis of the learning requirements of students or on the basis of the differences in prices for educational services, at least, that these two places would have to pay.

The next step is to see what the expenditure differences, to what they are chiefly related. The analysis is based upon the standard of 1 to 1 relation between local tax rates on true value of property and revenues per student. A purist—that is, a public finance purist—might maintain the following: If the local tax rate in district X is 10 percent higher than the rate in district Y, then and only then should revenues per student in district X be 10 percent higher than in district Y.

It is one of the fundamental ideas in our American educational practice that the residents of a given local district may choose the quality of educational program that is to exist in that district, but another idea that I think is fundamental to the way we try to order our lives in this country, is that you are supposed to pay for what you get, and so we are taking this attitude in this Long Island case. We assume that districts should pay for what they get as expressed in a local tax rate and we then ask what conclusions follow from this.

Now, we make an index of tax rates in Long Island and we simply see the percentage by which tax rates in different districts vary from regional average tax rates. Then, sir, we compute a set of presumptive revenues, which is school revenues per student per year, that would be tied to this index of tax rates.

For example, we have a tax rate in a place called Baldwin that is 7 percent above the Long Island average. We then say that the presumptive educational revenues should be 7 percent above Long Island's average. We multiply the Long Island average of $1,320 by 1.07 and we get a presumptive revenue figure—$1,413.

Now, we compare these presumptive revenue figures with the actual revenues, which reflect locally raised money and State aid. We then divide the school districts of Nassau, separate it into winners and losers, and the winners are people who have more actual revenues than their type of tax rate would allow you to say they should have if you assume that there is this one-to-one relation between tax rates and spending per student.

Discrimination Against Small Poor Districts

Now, the winners and losers may profitably be examined against enrollments and against true value of assessed property per student. Almost without exception, winners are districts of high assessed valuation—Garden City, Great Neck, Hempstead, Lawrence, Port Washington, or are both small and rich like Oyster Bay, Sea Cliff, Hampton Bays—those are winner types, rich, or even better, small and rich. Similarly, almost without exception, the losers are districts of low assessed valuation per student—Island Trees, Roosevelt—which is almost a completely black district—Seaford, Bellport, Wyandanch—which is almost a completely black district, or districts which have valuations per student ranging up to moderate levels, but which are large in enrollments—Hicksville, Levittown, Brentwood, Commack and Lindenhurst.

The evidence appears conclusive that the present system of finance in this part of New York State discriminates against low wealth districts and large districts, while favoring small and rich districts. These discriminations are contrary to long established aims of the State to promote equity and, incidentally, to establish efficient, organization of school districts, those aims, indeed, run back a half century in time, as I said before.

Now, that's simply an example of the inequity problem that's along the line of the *Serrano* discussion.

Now, I think a second major difficulty of the present system is that the reliance upon local raising of money and the attendant voting isn't good for effective planning and in part, this is a matter of being unable to make long-range plans for schools districts.

I think it would be true, sir, if you asked a district to give you their 5-year revenue and expenditure projections and their development plans, they would have to do a bit of work before you got any paper. Now, one—I think one of the reasons for this is they feel, well, how can we plan when next year we may be on an austerity budget or next year the State may vote some additional State aid so we'll have money to spend again, and they are literally forced into making only annual plans.

Hinders Planning of Land Use

Now, I think, also, the present system of finance hinders planning in land use. Districts do not want property that produces a lot of children to be educated in schools that does not simply produce a lot of ratable value to take care of them, and if one considers the possibility, for example, of having more low- and middle-income housing—say, housing with tax abatement, into suburbs, and this to me is the only significant way to approach the problem of integration, one finds that there's a financial loss.

Now, there may be social reasons that can be used to try to block the introduction of low- and middle-income families into a fairly well-off suburb, but the point is that everybody understands the financial arguments and the financial arguments can be put out in front, and so you have the discussion, I think, prematurely closed off because of a rather archaic system of education revenue raising. This, I think, leads to the disbursal, perhaps the too great disbursal, of workplaces as districts search for a clean, income-producing property that doesn't carry many children with it, which, again, makes it difficult to develop a very well coordinated public transport system.

Now, so in addition to the inequity problems, the planning problems, there, as you mentioned, sir, is the problem of the cities. Existing systems of finance recognize not very much the extra costs that cities should face in providing educational services, but the present arrangements go beyond this because tax limits are placed on cities more rigorously than they are placed on suburban districts, and in some cases, now, these limits are absolutely subject to change only by State legislatures—not by some special local vote.

I'm a city buff, which may explain my next comment, but I think this, the fact that in this country, unlike some European countries, our cities are no longer strongpoints of educational practice produces a situation of educational imbalance.

Senator **Mondale**. Would you yield there?

Mr. **Benson**. Yes, sir.

Senator **Mondale**. Did I hear you say that the central cities in Europe still have exemplary school systems? They have not gone through the deterioration process that we have?

Mr. **Benson**. I think that's true, sir. I know that—well, I spent some time in Europe trying to look at this in the early sixties, so my data are something like 8 years old, but I have tried to read some newspapers from time to time.

Now, in England, the place—one of the best places to teach as seen by teachers was the London area, you see—the London Educational Authority. It was also nice to teach in the south of England, but really, for the more academic teachers, academically-minded teacher, his choice was to be in London. I think the same would be true of the teachers in France, in that they wish to work in Paris.

Senator **Mondale**. About 50 years ago it used to be true of our school system. The competition was to get into those central city schools. It was regarded as a prestigious spot.

Mr. **Benson**. If I can tell an anecdote—I hope I'm not repeating something I might have mentioned before, and I deplore saying something about myself, but right on this point, I grew up in Atlanta and I was attending a school in the suburbs on the edge of the campus of Emory University. My fellow students were the sons and daughters of Emory faculty members. My family removed me from that school in the high school years to send me as a tuition-paying student to central Atlanta school called Boy's High, because they wanted me to have the best education available in the public schools of that area.

Senator **Mondale**. That was a public school?

Mr. **Benson**. That was a public school, and as I say, and you can see how different that is from now where if you were in a suburban school next to a university campus, one would not think of saying you will get better education in the center area of city schools.

Senator **Mondale**. And in fact, you wouldn't get better education.

SUBURBANITES LOSING INTELLECTUAL OPPORTUNITIES

Mr. **Benson**. With some exceptions like the Bronx High School of Science. There are some exceptions. You see, the city is still the home of the display of intellect. The city still has the museums, the theater, the ballet, the music, the libraries, the big libraries, and unlike some school situations, the bigger the library the better the library: that's the general rule, so we have the families who can provide the immediate home environment for intellectual activities having disbursed themselves into the suburbs where the school districts cannot make connections with the intellectual, vital life of the central city, and I can't prove it but I would say that this is having harmful effects on the intellectual life of our Nation, and that this will become more apparent as we become more and more populated by people who would face this separation in their adolescent years.

Now, the fact that the public transport systems do not easily run to these suburbs, into the museums, and so on doesn't help much either. That's the thing Europeans have that I fear we lack.

Now, these are, then, comments about some of the difficulties of the present arrangements. I think there are really only two important acts a State can take to make substantial change—two important acts are a combination of the two. One is the establishment of a district power equalizer. This subject we talk about is full of its jargon—district power equalizing plan—and second is full State assumption.

Professor Coons is the one to talk about district power equalizing, although it's a scheme in earlier years I tried to advocate myself. The basic idea is that any given tax rate produces the same dollars per student per year, regardless of the locally taxable wealth of the school district.

Now, this is interpreted by some lawyers, and I'm not a lawyer myself, to meet the criterion set by the California Supreme Court in the *Serrano* case that wealth shall not determine quality of education except wealth of the State as a whole.

One would move from the present situation where some districts pay high-tax rates for low-expenditure programs, and conversely, to a situation where this set of presumptive revenues that I was talking about in Long Island would apply in all districts. If you were 7 percent above regional average tax rate then you would have a school program that was 7 percent above regional average expenditure. It would be a case of spending for what you get. It would preserve very much—some would say enhance—local district choice about how much money is to be spent on students of different residence.

Now, the other approach is to say that education, the public elementary and secondary schools, should come to be financed by a broad base, which is to say State levied taxes. This is the first step—simply to have the State collect the money for the lower educational services. The second step is for the State to determine a scheme of distribution of that money to the administering school authorities, and I would think that at least for the near time, these authorities would continue to be something called school districts. That is, a State would have to determine how economic resources ought to be paid from the center to the local authorities.

STATEWIDE EDUCATION PROPERTY TAX

Take the first one first, the new revenue scheme does not mean that one must immediately shift the total amount of the education money that's now drawn from property taxes over to income or value added taxes or sales taxes or something like that. One could simply have a statewide education property tax with uniform rate in all the taxing jurisdictions of the State.

This is, apparently, constitutional in both California and New York. It would not require a constitutional amendment, and this really is the key step. It obviates the need, for example, in California of having to get a constitutional amendment to abolish what they call a basic aid or this $125 a student. That's written into the Constitution, but if you adopt a statewide property tax you have, in effect, abolished the basic aid.

Now, on the distribution, there are those who say, well, it's impossible to figure out how much money the State should lay on the head of students who are in its borders. That is, it's impossible to say how much money per student should be put in district X as compared with district Y.

My feeling is that the rule to start with is one for one, a dollar per student, and then see what departures from that rule are required, and I think the one departure, obviously, is extra spending on handicapped children, and one can compute pretty much the cost of a program for handicapped children.

Senator **MONDALE**. You are talking about handicapped. Are you talking about so-called educational disadvantage——

Mr. **BENSON**. Not yet.

Senator **MONDALE**. Physical, mental?

Mr. **BENSON**. That would just be one case where one would depart from the one to one case and I think it is computable, or at least, you can get some——

Senator **MONDALE**. Somebody computed a model of what money would be needed to educate an educationally disadvantaged child.

Mr. **BENSON**. That is, I think that is the one major point of difficulty. The other point of difficulty is recognizing the differences in cost among the districts.

Now, there are those who claim we shouldn't recognize differences in cost. That is, you should not assume that a teacher in one part of the State has to have more money than another, but anyway, back to the disadvantaged—the information I have, which is by no means complete, is that we don't yet have an agreement on effective programs for the disadvantaged and given that, it's pretty hard to estimate costs.

EXPERIMENT WITH DISADVANTAGED DIFFERENTIAL

What I would like to think could happen is that some States, at least, would experiment with a fairly large differential for disadvantaged while at the same time trying to have some sort of continuing flow of information into the States as to, well, to regulate this amount in the future. I would like, myself, to see disadvantaged students counted one extra. That is, each disadvantaged student would have spent on him twice the sum——

Senator **MONDALE**. Two to one.

Mr. **BENSON**. That the others would get.

Senator **MONDALE**. But that's a guess?

Mr. **BENSON**. That's a guess, sir.

Senator **MONDALE**. And would you have another adjustment in there for cost, if the objective is equality?

Mr. **BENSON**. Right.

Senator **MONDALE**. I don't see how you could disregard cost.

Mr. **BENSON**. Well, certain kinds of costs, I think, yes. For instance, the cost of providing housing of students does vary markedly, does differ markedly about the State.

Now, this could be handled either by computing such differences, and I think they are computable, and then turning the construction money over to the authorities, or by having the State assume the responsibilities of providing the housing, and this could be under an authority. It could be an authority with power to lease space as well as to build, which is really the answer, I think, to the cities' problem of space, or a large part of the answer.

So, that kind of cost differential, I think, is fairly easy to accommodate. What's not easy to accommodate is differences in cost of living of teachers in different parts of the State. The English faced this problem, if I could look back a bit.

In 1917, when the Government of England sort of began to take over the finance of education, they found that salaries were quite different in different parts of England. And so, they established some regions which were determined, more or less, by the levels of expenditures that had existed in the past and teachers in some regions were granted salaries that were fairly low, and teachers in other regions, fairly high.

Now, this was combined with a process of a national collective bargaining unit in England, and over the years the teachers removed these differences in pay. I mean, the teachers who were low paying had a stronger case in the bargaining session than teachers with high pay, so the regional differences pretty much went away except that they left an arbitrary 10 percent for London because people could accept the idea without knowing just how to put a figure on it, that living in London costs something extra—possibly the work there was more demanding, and that one differential was preserved.

Now, my own feeling is very much that it's possible to implement a plan of full State assumption without losing the essential virtues of local control and without—with possibly making a gain in the process of collective bargaining.

FEDERAL ROLE

I'd be glad to try to comment on that if you wish, but I'd like to go on to the last group of points I wish to make, sir, which is the possible Federal role post-*Serrano*.

I think assuming that this present direction of change holds, I think the States are going to find that moving to a different educational finance system will cost more money; at least, initially. In the longer run, with maybe an assist from technology, there can be a moderation of the expenditure advance, but either under district power equalizing or full State assumption, the present low-spending districts will rise, you see, and that means money.

Now, I fear that given the present difficulties of a number of the States, that this forcing of money into reform of education finance will make it difficult to continue to finance the complementary services and if I could borrow a point from Henry Levin of Stanford, he maintains that the effort to attack the problem of nonachievement in schools relies too strongly on the schools, and I can put it this way: If a student very badly needs eyeglasses, does it help any to give him an extra reading specialist, you see?

These services in health and in food and in housing and so on, if these are held constant or even if money is taken away from them to provide money for education reform, I think we are defeating our purpose. I think there is a strong complementarity: The marginal yield from additional expenditures on education will essentially not be very effective unless there is consideration given to the health of the student, his hunger, his clothing, his housing conditions.

Now, this takes me back——

Senator Mondale. Did I understand you to say that in many cases those nonschool factors, if dealt with, would produce a greater return in terms of educational achievement than that same contribution to the educational structure?

Mr. Benson. Yes. I don't say that we don't need to spend additional money on education. For example, in New York City, according to our figures, there is very large nonperformance of the New York district on the matter of instruction for Spanish-speaking students. There are, I think, only—well, let's say a very small percentage of students from homes that have no English who are presently in programs where the teacher can talk to them in their language.

Now, it will take more money to do something about that. But even if one does that and does nothing about these other circumstances we are talking about, health and clothing and hunger and housing; though you get something you don't get nearly as much if you could approach this in a more comprehensive fashion, you see, and what concerns me is——

Senator Mondale. Would you recommend that a school be given resources to deal with something like this?

Mr. Benson. No, sir; I am not. What I am really asking for is that the Government think again about the States' fiscal position in the broad terms it was thinking earlier; namely, revenue sharing, welfare assumption, something along this line.

Revive County Government Administration

I'm not certain that the provision of these services for students should be administered by the educational authorities. In fact, I think that there's some revival of county government in this country and that some things that are now being done by schools could very well be done by counties, such as transport and health and possibly, food services and so on. I mean, on the administrative problem, I don't really see that the schools have to provide these services, but I definitely think that unless they are provided, we are not going to get the return we should get from the educational balance and if the States are strapped because of *Serrano*, they won't do it.

Senator Mondale. Have there been efforts by economists to deal with the cost-benefit ratios, as one against the other?

Mr. Benson. Not much. I was talking to a colleague the other day and he was thinking of putting up a proposal along this line to try to put numbers on these, trying to put this up as a proposal to one of the foundations, but to my knowledge, there is no hard work being done. We have got all the theory we want. We can talk to this about creating marginal requirements, but we don't have any numbers to make it real and a policy guide.

Senator Mondale. Two years ago the White House did a cost-benefit study whether a dollar spent to feed a hungry child could be spent better elsewhere, and if we can study that question it seems that we could study this one.

Mr. Benson. Now, another proposal—and I don't know if this is something I've been thinking about only recently, but I don't get down here so often that I shouldn't mention it—I'm wondering if the Federal Government should not have a look at whether it should operate some educational institutions itself, to set a standard.

Now, you operate research labs in education, but that's not exactly what I mean.

Senator **Mondale**. Well, other than the defense schools, we operate the Bureau of Indian Affairs school, which does not encourage me to believe in much.

Mr. **Benson**. Well, if we could take another analogy, I understand the Federal prisons are better than State prisons, which are better than county prisons, which are better than city prisons.

Senator **Mondale**. I think it's true that the Federal Government could, with fewer local political problems, establish schools of excellence——

Mr. **Benson**. That's right.

Senator **Mondale**. To do a lot more by way of experimentation and demonstration than we do today. As a matter of fact, we do very little of it.

Mr. **Benson**. Well, I don't mean to take an antiunion position. I think the unions have on the net made educational progress, but when you take the combination of union concerns about doing right for everybody and the hamstring of existing educational codes in some States, you get a kind of watering down of innovation.

Now, suppose that one decided it would be a good thing on Manhattan to have a school for gifted bilingual students, you see. It would, I think, be—there's a chance it would be a better innovation if the Federal Government could establish such a facility.

Program for Special Schools

Now, that, of course, is a special instance and I would take it the Federal Government cannot operate on special instances, but if one thought of a school in central city areas that combined functions of superior teaching, and research, and inservice training of teachers, you see, with superior physical facilities, the analogies to a teaching hospital, really, this would be a general possibility I would think for cities you see. I mean, one could have a program for this kind of thing.

Senator **Mondale**. There is a proposal setting up 20, 25 experimental schools. I always thought that was a good idea. It seems to me the Federal Government could perform and should perform the role suggested in a far more massive way where we try every good idea we can think of, properly funded, shoot the works, evaluation, best teachers, and then if the model proves successful, make that generally available.

Mr. **Benson**. There's one argument that will be put up against this and I would like, if I can, to try to suggest that one should not stop on account of it. The argument will be made that if the Federal Government comes in with effective programs which are well funded, that the State or local authorities cannot replicate these, you see. They'll say that's very nice but nothing will grow out of this.

I think that's the wrong idea. The first thing is to try to find what works. The second thing is to try to find a system that is effective that we can pay for, but unless the first step is taken the second—well, it's simply we won't get there.

Senator **Mondale**. Now, we did establish the National Foundation for Education in the Higher Education Act, which is supposed to be funded in the $400 or $500 million level to begin with and if we built above that it would presumably put the Federal Government in a big way into this whole experimentation field. I think that's desperately needed along with far more sophisticated data.

Mr. Benson. Yes, that was the third suggestion I have for whatever these are worth, that there continue to be research efforts in the Federal Government bearing upon policy issues such as information—well, first to help the States develop an information system, and then secondly, how to devise more rational criteria for the distribution of educational resources in our present local tax base.

Senator Mondale. Would you, by letter,* submit in more detail some of your ideas as to what you think the Federal role should be here. I would also like you to comment on the implications for a Federal role based on the *Serrano* decision. If *Serrano* is right, and it makes a lot of sense to me in an intrastate sense, does it not become quickly apparent that the Federal Government has new responsibilities in an interstate sense? You don't agree with that? Take, for example, the difference between the potential tax base between Mississippi and New York.

Certainly, no matter how fair Mississippi would be in the distribution of funds within the State, comparing the funds available to schoolchildren in New York State and Mississippi, there would be a tremendous gap in terms of fairness no matter how hard we try. Would that not be true?

Federal Aid To Equalize Interstate Expenditure

Mr. Benson. That's true, and I didn't really mean to say that I disagree with it. I think I was expressing instead of a pre-*Serrano* discouragement with this problem, and perhaps *Serrano* would make something better possible on the interstate as well as intrastate, but in earlier years, for example, the Committee for Economic Development had a plan to bring the poor States up to, I believe, national average expenditures; national average plus 10 percent, or something, and it cost hardly anything at all.

The reason is that most of the students are in the richer States, but—and I think that this was a proposal, also, of Senator Taft in 1946, that the Federal money be used substantially to raise the poor States up.

Now, what has been happening is that the proposals give money to all the States and then the price tag of raising the poor ones up becomes astronomical.

Now, Title I was a way out of this dilemma, but I think it's too highly focused.

Senator Mondale. It's too what?

Mr. Benson. I mean, it does not ostensibly do anything about the ordinary student in Mississippi. I said, "too highly focused."

Senator Mondale. Yes.

Mr. Benson. It's not really a national education policy.

Senator Mondale. Would you see much merit in liberalizing the eligibility formula under title I and then try to fully fund that?

Mr. Benson. That could be one way to go, sir. Now, in some figures I saw showed that there was quite a disproportionate share of Title I money going to the Southern States earlier?

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* See Part 16D, Appendix 3.

Senator Mondale. But if it's poverty we are trying to reach that's what you would expect.

Mr. Benson. That's right. If you liberalize it you will simply be doing more than that. You will be shifting—your added money will go predominantly to the Southern States.

Now, but the question is if you require, as I think one must under Title I or try to require, that Title I money be spent only on the designated income category students. Say it goes up to $6,000 or something, and I just don't have the figures, whether that would cover the broad range of Mississippi students or not.

Senator Mondale. I'll bet it would cover 95 percent of it.

Mr. Benson. Could be, could be.

Senator Mondale. We had a very interesting experiment here in the Child Development Act. Instead of using the old poverty line, we picked a figure of $6,900—we thought we'd get clobbered on the floor on the ground it costs too much—and that turned out to be the strongest element in the bill, because it wasn't welfare. It encouraged people who were on welfare to work if it's possible to work, and to give decent care for the children.

The poor, in my opinion, like it better because they are getting sick and tired of being labeled "welfare" in everything they do; children resent getting School Lunch Programs, and even Headstart smells of welfare, plus they don't like to be by themselves all time time and from an education standpoint, they shouldn't be.

Mr. Benson. Right.

Senator Mondale. There is no constituency for just poor students anymore. In the absence of a very vigorous President who uses that bully pulpit to establish the Nation's conscience, we have proved virtually impotent in getting any kind of decent funds.

If you compare what we have done with Title I with general impact money, there is a dramatic difference because Title I has no constituents given these great priorities found in a democracy. You have to fashion a democracy that makes sense and gives a majority following or otherwise, as good as the idea may be, it's not going to work.

Income Not Definition of "Poor"

Mr. Benson. My late mentor in California, Senator George Miller—that is, State Senator Miller—deplored any kind of criteria, particularly, you know, if it applied just for a narrowly defined poor people, and he wanted to work on the problem of reading. He said, give me a bill that will help poor readers learn to read by the end of the third grade, and I said, you mean poor students, and he says, poor readers, not poor students, and that was the way the bill was written.

This commission I work for, the so-called Fleischman Commission, likewise is trying to avoid, as far as it can, income criteria. Yes; there are some useful tasks for directing money.

Senator Mondale. I'm inclined to think that more and more that's the way we ought to go. Well, in any event, I appreciate your most useful contribution and I would appreciate it if you would respond in writing in more detail what you think the proper Federal role ought to be, because that would be one of the central questions in our whole report.

PREPARED STATEMENT OF CHARLES S. BENSON

Support of elementary and secondary schools is a constitutional responsibility of state governments. For example, Article II, Section I, of the Constitution of the State of New York reads, "The legislature shall provide for the maintenance and support of a system of free common schools, wherein all the children of the state may be educated."

However, most state governments, including New York, share their administrative and financial responsibilities in education with a set of local school districts or boards of education. In our largest industrial states—New York, California, Illinois, Michigan, and Ohio for example—school districts, generally speaking, are special units of government whose lines are drawn somewhat independently of other local governments. In New England, on the other hand, the area of local school authorities is generally coterminous with that of cities and towns. From Maryland south, the local school authorities are generally bounded geographically by county lines.

Whatever the local government structure, one of the continuing issues of controversy is the proper definition of the state's financial responsibility in education. On that topic, one of the first questions to be put is this: What are the fundamental purposes of state grants, subventions or subsidies for schools?

PURPOSES OF STATE EDUCATION GRANTS

(1) *Reduction of Large Differences in Local School Tax Rates.*—Revenue bases to support educational programs among local school districts are grossly unequal. For example, per student basis, the richest major district in New York has 33 times the full value assessment of the poorest.[1] If the amount of state assistance for schools is small (in New Hampshire, to take an extreme case, the state provides approximately 15% of educational expenditures, differences in school tax rates will be large, even only assuming that the poor districts content themselves with meagerly financed programs. Such large differences in local school tax rates are inequitable. This can be seen most clearly if we think of a household that does not have—nor will ever have—children in the public schools. Within a given metropolitan area, social benefits of education will be received more or less equally by all households.[2] Hence, among households not participating directly in school programs, a 3 to 1 difference in local tax rates for education, say, paid by households on different sides of a street that divides one local district from another is not defensible on "benefit received" grounds. Local taxes—and especially that tax which is the prime support of school expenditures, the levy on real property—are not generally progressive. Hence, differences in local school rates clearly cannot be defended on an "ability-to-pay" criterion either.

(2) *Establishment of a Close, Positive Relationship Between Local School Tax Rates and Value of School Services Rendered.*—Let us think now of households that make direct use of public schools—those households, to make it completely clear, who have children currently enrolled in public schools. In the absence of State grants to local education authorities, and given two school districts with different full value per pupil assessments, in order to produce the same dollar value of school services, a disparity between local school tax rates must exist. Families living in districts of low assessed valuations per student—and let us assume for the moment that these households have rather low income—

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[1] A major district is defined in New York as one having more than eight teachers. Among all school districts, on a per student basis, the richest has more than 2,000 times the full value assessment of the poorest.

[2] "Social benefits" of education are commonly distinguished from "private benefits". The former are contributions to productivity, i.e., to national income, in excess of earnings differentials privately garnered (schooling may help an inventor be successful and his inventions may have value of billions to society, though his own lifetime income may be relatively modest), lessened crime and protection costs, pleasure that educated households take in living in a society which includes other educated people, etc. The central idea is that households receive these benefits in roughly equal measure, regardless of whether they as individual households pay large taxes for schools or small and regardless of whether or not their children are enrolled in public school programs. Private benefits of education, on the other hand, are measured chiefly by the extra income a person receives (or income plus liesure time ,or income plus liesure time plus job stability) by the fact that he has attended school for a longer, rather than a shorter, time or by the fact that his educational program has been superior. See Burton A. Weisbrod, *External Benefits of Public Education: An Economic Analysis,* Princeton University, Department of Economics, Industrial Relations Section, 1964.

would find themselves paying for schools at high local tax rates even to obtain a minimum expenditure school program, and conversely, households in districts of high assessed valuation per student—let us say these are predominantly rich families—could pay school taxes at low rates to provide themselves with lavish educational programs. Regarding the school tax rate as a "price" for educational services, it seems clear that such a situation would be inequitable: Poorer families would be charged a higher price for a given quality of school program, as measured by expenditures per student, than rich families.[3]

What is at issue is a principle of local government. It is perhaps a defensible position to assert that voters in a local district be able to determine the quality of education which is to be made available to students residing there.[4] What does not seem defensible is that decisions of the voters should be warped by a system of finance that makes educational services available at a high price to residents of poor districts and at a low price to residents of rich. If residents of two districts are equally avid for educational service, then they might be expected to pay roughly equal (and relatively high) tax rates. If two districts hold populations that are indifferent toward educational services, then each should have the compensation of roughly equal and relatively low tax rates. State grants for educational services can produce this better system, especially if the grants are distributed to districts in an "equalizing" fashion, i.e., inverse to assessed valuation per student. However, the state aid programs in most states fall far short of establishing a direct, one-to-one relationship between school tax rates and school expenditures per student. One important reason is that conventional state aid programs can overcome very wide variations in assessed valuation per student only if the state is willing to assume a large share of school costs—80 to 90 per cent.

To overcome the kind of inequities being discussed here, whether arising from the simple existence of large differences in local tax rates or from the lack of a positive association between tax rates and school expenditures, it would appear that there are only three main options:

(a) To see the state assume a large share of educational costs;

(b) To reduce inter-district disparities in fiscal resources, possibly by state-wide taxation of non-residential properties or by shifting to household income as the basis of local taxation for schools *and* for the measurement of local fiscal ability; or

(c) To adopt a system for the provision of educational services in which regional or metropolitan governments hold greater operational responsibilities than they do at present.

All three options imply more direct interventions by state governments in the allocation of educational resources than they now exercise, Hawaii and North Carolina excepted.

(3) *Promotion of Equality of Educational Opportunity.*—It is an important part of American rhetoric to hold that we, unlike our European cousins, have an "open educational system", in which an individual's opportunity to develop his intellectual skills is unrelated to his place of residence or to the conditions of his birth, e.g., the status, political power, or income of his parents. To make this promise consistent with the fact that states have delegated power of elementary and secondary education to local authorities requires that the State place its broad-based taxing powers behind those of the local units—or behind, at least, the taxing powers of the poorer ones. Otherwise, the richer school districts would be in a position to use their superior wealth to provide a head start for the children of their resident households, thus defeating the rule that wealth should not be a determinant of educational opportunities within the public sector. This is the same reasoning that is applied when a large city makes the taxable resources of its neighborhoods available to support school services in poor neighborhoods.

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[3] "The consequence of uneven distribution of wealth is wide variation in the sacrifice necessary to produce the same amount of money. As a result, the multitude of decisions that are made by districts regarding commitment to education is everywhere weighted by wealth. In order for a poor district to procure a school as good as its thrice rich neighbor, it must be willing to tax three times as hard; even then it may be prevented from doing so by state-mandated tax maximums. But in either case, it is ordinarily left behind in the race for superior schools, for clearly the rich district can always stay ahead if it decides to." John E. Coons, William Clune III, and Stephen D. Sugarman, *Private Wealth and Public Education*, Cambridge, Harvard University Press, 1970, p. 21.

[4] However, it is hard to imagine a decision more fraught with promise or danger for a member of the rising generation than that which concerns the quality of education he is to receive. Decisions on war and peace may be the exception, but these decisions are not delegated to local authorities.

(4) *Extension and Improvement of Educational Services.*—If local authorities were left strictly on their own to find the money to run their schools, it might be possible that they would be unwilling to provide enough services—or as good services—as the State "needs".[5] At the time the present system of state-local finance in New York was developed, namely in the mid-twenties, one purpose of using State money to strengthen the fiscal base of local districts was to help them provide high school educations for their resident youth—either by their building and operating high schools or by their being willing to pay tuition fees for their resident youth to attend institutions nearby. What one observed in the twenties was the effort to use State funds to extend the length of education experience beyond the elementary school years. At the present time, we note demands to use state funds to encourage the extension of educational opportunities into the years before kindergarten ("early education"), to provide deeper and more varied intellectual experiences for youth in the junior and senior high school years, to obtain more useful programs of vocational education, etc.

Why would local districts, if left their own resources, fail to provide enough educational services to meet the needs of the state? The general economic argument is as follows. Suppose responsibility for educational service—administration and finance—are devolved by the state on many small districts. The voters of any single district will enjoy roughly the same measure of social benefits of education—or bear the same measure of social costs of failure to provide enough educational services—regardless of what their local educational budgets are. Hence, it is to the economic interest of such districts to concentrate on private benefits and ignore the social benefits (or costs). This statement can be made more specific. Assume that there is a set of relatively small school districts, each predominantly middle class, but each containing a minority of low-income population. It behooves the voters to see that the districts have good college-preparatory programs; otherwise, the educational aspirations of the majority of the population would be frustrated and a loss of private benefits clearly would occur. It is a less economically compelling case to see to it that the minority poor become literate, even though it is well known that illiteracy is associated with lifetime dependence on public welfare, crime, poor school performance of succeeding generations of the affected households, etc. The costs of these results of ineffective schooling would be shared with residents of the county, the state, and the nation. Unlike private benefits or costs, they are not confined to the taxpayers of the single small school district. A similar argument can be made to show why districts fail to give priority to adjust lines to promote racial integration.

There are other reasons why school programs might be inadequately financed in the absence of state assistance. One is that poor districts might simply lack the financial means to run good schools, no matter how well-meaning the populations of those districts might be. Another is that "thresholds of expenditure" or start-up costs of new programs, may appear frighteningly high to local governments; hence, some of them, at least, may require evidence of the state's own financial commitment to the new programs—such as a program of early education—before they are willing to undertake major steps toward their implementation.

A last general point on the topic at hand: If one of the functions of state grants for education is to increase the willingness of local governments to spend money on their schools, it would seem to follow that a dollar's increase in state aid may not always produce a dollar's increase in school expenditures. One price of state and local cooperation in educational ventures the districts would not undertake if left to their own devices might be that local governments may divert some share of any increase in state aid toward local tax relief.

(5) *Other Reasons.*—Four functions of state aid have been cited: reduction of excessive inter-district tax rates differentials; establishment of a positive relationship between local school tax rates and school expenditures per student; promotion of equality of educational opportunity; and extension and improve-

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[5] In economist's language, the effort is to bring the provision of educational services closer to the point where marginal social cost equals marginal social benefit. From the mid-fifties onward, economists have produced a number of studies to indicate that expenditures on elementary and secondary education are good investments for the state to make. Not even the rise of "educated unemployment" in the ranks of college graduates and Ph. D.'s have yet set aside the finding that we suffer from an "underinvestment" in elementary and secondary programs. See Theodore W. Schultz, "The Human Capital Approach to Education" in Roe L. Johns, et al., eds., *Economic Factors Affecting the Financing of Education,* Gainesville, Florida, National Educational Finance Project, 1970, pp. 51–52. However, plainly some types of elementary and secondary programs (or some items of expenditure) are more fruitful than others. In offering guidance on this finer form of resource allocation, the economist has yet to be very helpful.

ment of educational services. Admittedly, these functions are somewhat overlapping; pursuit of any one is likely to lead to the accomplishment, partially at least, of the others. It is assumed, moreover, that there is general consensus that these are important and worthwhile functions of state grants for education.

It is possible to mention other functions, but for these there is less assurance of consensus. First, state grants reduce reliance on local taxation. This is regarded as desirable by those who feel (a) that the property tax is a relatively poor fiscal instrument and (b) that there is no satisfactory substitute levy for local use.

Second, state grants can be used to increase the influence of the state government on policies in elementary and secondary education. This potential for state control would be favored by those who believe that the state's capacity for planning and applied research and the state's access to those kinds of information that are useful in control of educational operations are superior to such capacity and access on the part of local governments. It would also be favored by those who hold that the state government is less harassed than local governments by deleterious political pressures.

A KEY TOPIC IN EDUCATION FINANCE

A central question in education finance today, perhaps the central question, is the future role of school district taxation. In several states, serious consideration is being given to having the state government provide all—or nearly all—of public school revenues. It is not a new idea, for Henry Morrison of the University of Chicago was urging it in the early 1930s. There is, indeed, growing concern whether placing responsibility for raising funds on hundreds of local districts is conducive to development of a well-planned, efficient, and equitable system of education. Freeing local boards of the responsibility to raise funds might allow them to devote their time and energy toward building better programs of instruction in the schools in their charge. It would not necessarily follow that school programs would be reduced to a drab level of uniformity, though this, of course, is a danger. What is important, finally, is what happens to students in individual schools. So one way to judge the central question is to ask: Would the state's assuming a larger share of revenue-raising responsibility heighten or reduce the value of subsidiarity *for the individual schools?*

THE DEVELOPMENT OF THE PRESENT SYSTEM OF FINANCE

(1) *The Strayer-Haig Proposal and the Cole Act.*—The present approach to State aid for education dates from the work of the Educational Finance Inquiry Commission in New York State (1921–24). A volume of the Commission's report was prepared by George D. Strayer and Robert M. Haig; it offered what Professor Paul Mort described as the "conceptual basis" of present-day practice in equalization.[6] Sometimes the basic arrangement of State-local finance is described as the "Strayer-Haig formula;" alternatively, it is called the "foundation program plan." With more or less important technical modifications, this fiscal device still determines the allocation of school funds to local districts in the majority of states today.

In describing the practice of New York State in the early 1920s, Strayer and Haig stated:

"A precise description of the basis upon which federal and state money is apportioned among the localities is an elaborate undertaking. The present arrangements are the product of a long history of piecemeal legislation. The result is chaos."[7]

The authors did provide, however, the following summary:

"Almost all of the state aid is distributed primarily on a per-teacher quota basis which varies with the classification of the school district and, in the case of one of the quotas, with the assessed valuation in the district. Approximately one-half of the state aid is entirely unaffected by the richness of the local economic resources back of the teacher, and the position which is so affected is allocated in a manner which favors both the very rich and the very poor localities at the expense of those which are moderately well off."[8]

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[6] See George D. Strayer and Robert M. Haig, *Financing of Education in the State of New York*, A Report Reviewed and Presented by the Educational Finance Inquiry Commission under the Auspices of the American Council on Education, New York, The Macmillan Company, 1923. The Statement of Professor Mort appears in Paul R. Mort, Walter C. Reusser, and John W. Polley, *Public School Finance*, New York, McGraw Hill Company, 3rd ed., 1960, p. 203.

[7] G. D. Strayer and R. M. Haig, *op. cit.*, p. 94.

[8] *Ibid.*, p. 162.

In moving toward their recommendation for a new fiscal arrangement, Strayer and Haig first stated:

"There exists today and has existed for many years a movement which has come to be known as the 'equalization of educational opportunity' or the 'equalization of school support.' These phrases are interpreted in various ways. In its most extreme form the interpretation is somewhat as follows: The state should insure equal educational facilities to every child within its borders at a uniform effort throughout the state in terms of burden of taxation; the tax burden of education should throughout the state be uniform in relation to taxpaying ability, and the provision of the schools should be uniform in relation to the educable population desiring education."[9]

This has a modern ring as far as the prescription about tax burden goes. However, it is no longer possible to believe that "equal educational facilities" represent "equal educational opportunity." It is now recognized that equality of purchased inputs does not, on the average, produce equality of education outputs as between the different groups of our society. Put another way, it is held today that the learning requirements of one student may be different from those of another, and that an educational program to allow the first to develop his abilities in high degree may be more or less expensive than a similar effective program for the second student.

Nevertheless, let us proceed with the development of the Strayer-Haig for-
purchased inputs does not, on the average, produce equality of education outputs

"To carry into effect the principle of 'equalization of educational opportunity' and 'equalization of school support' . . . it would be necessary (1) to establish schools or make other arrangements sufficient to furnish the children in every locality within the state with equal educational opportunities *up to some prescribed minimum;* (2) to raise the funds necessary for this purpose by local or state taxation adjusted in such manner as to bear upon the people in all localities at the same rate in relation to their taxpaying ability; and (3) to provide adequately either for the supervision and control of all the schools, or for their direct administration, by a state department of education."[10] (Emphasis added.)

Note that the authors have now replaced "equal educational facilities" by the notion of "equality up to some prescribed minimum." But note they suggest also that some schools may be directly administered by the state department of education. One of the drawbacks of educational practice in New York State is that a school which is obviously and grossly failing to meet the needs of its students is allowed to continue under the same local district management year after year. This particular suggestion of Strayer and Haig has not yet been taken much into account.

The proposal for the new system of state-local finance was next put into the following specific form:

"The essentials are that there should be uniformity in the rates of school taxation levied to provide the satisfactory minimum offering and that there should be such a degree of state control over the expenditure of the proceeds of school taxes as may be necessary to insure that the satisfactory minimum offering shall be made at reasonable cost. Since costs vary from place to place in the state, and bear diverse relationships to the taxpaying abilities of the various districts, the achievement of uniformity would involve the following:

(i) A local school tax in support of the satisfactory minimum offering would be levied in each district at a rate which would provide the necessary funds for that purpose in the richest district.

(ii) This richest district then might raise all of its school money by means of the local tax, assuming that a satisfactory tax, capable of being locally administered, could be devised.

(iii) Every other district could be permitted to levy a local tax at the same rate and apply the proceeds toward the cost of schools, but

(iv) Since the rate is uniform, their tax would be sufficient to meet the costs only in the richest districts and the deficiencies would be made up by State subventions."[11]

An example may help clarify the plan. Suppose it is determined (just how remains a problem to this day) that a "satisfactory offering" costs $1200 per student per year. Suppose further that the richest district has an assessed valuation of $40,000 per student. Then a levy of $3.00 per hundred of assessed valuation will finance the school program in the richest district. All districts would be expected to tax themselves at the $3.00-per-hundred rate or higher. Every district but the richest would receive some state aid. How much? Just enough to meet the deficiency between the yield of the $3.00-per-hundred levy and the cost of the minimum offering. A district with $39,000 of assessed valuation per student would receive $30 per student from the state. Likewise, a district with only $2,000 per student of assessed valuation would receive from the state $1,140 for each of its students. All districts could provide the minimum offering, then, while paying a local tax at no higher rate than would be paid for a $1,200 program in the richest district.

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[9] *Ibid.*, p. 173.
[10] *Ibid.*, pp. 174–175.
[11] *Ibid.*

The Strayer-Haig proposal was translated into legislative form in New York State by Professor Paul Mort in a report to the Special Joint Committee on Taxation and Retrenchment (Davenport) in 1925. The cost of the "foundation" or basic program was estimated at $70 per student. The local contribution rate was set at 1.5 mills per dollar of the full value of property. It was further provided that no district should receive less state aid than it had formerly received. This proposal, the Cole Law, was adopted by the Legislature in 1925.

Mort's simple proposal was subject to much adjustment. The dollars-per-student measure of local district need was quickly changed into a dollar-per-teacher measure. The local contribution rate was revised periodically. Though Professor Mort has been against the state's offering financial incentives to local districts to spend money on schools, an incentive provision was built into the system so that districts did not receive the full amount of equalization money to which they were otherwise entitled unless they were spending not 1.5 mills of local tax levy for schools but 5 mills. Nonetheless, the main features of the plan were those sketched by Professors Strayer and Haig—and so they remain in the plan in use today.

SOME IMPERFECTIONS IN APPLICATION OF THE STRAYER-HAIG FORMULA

In practice, the Strayer-Haig system of state-local finance has a number of drawbacks:

(a) States which use the plan, including New York, often leave their school districts in a relatively unequalized condition. That is, some low-wealth districts find it necessary to levy a local tax at a high rate to produce a low-expenditure (per student) program, while at the same time rich districts are able to provide themselves with high expenditure (per student) at low tax rates. Thus, the relation between quality of school program provided in different districts (as measured by dollar expenditure per student) and local tax effort is inverse, rather than direct. A body of legal experts across the country is now raising the question whether such a condition—a condition, essentially, under which the state dispenses public education services according to the wealth of districts it itself has created—is constitutionally suspect under equal protection guarantees of state and federal constitutions.

It might appear strange that a fiscal device whose chief object is "equalization" fails so notably on an equity standard. There are at least three reasons why the result is obtained:

(i) The dollar value of the minimum educational offering is commonly set so low that many districts, rich and poor alike, find it necessary to exceed it. Above the value of the minimum offering (or foundation program), the inter-district differences in assessed valuation per student have their full effect. Suppose, for example, the value of the minimum offering is $1200 per student and two districts, call them A and B, each elect to spend $1600 per student. Let assessed valuation per student in A be $20,000 and in B, $5,000. The extra tax rate effort to advance expenditures from $1200 to $1600 per student is $2.00 per hundred in A and $8.00 per hundred in B. Suppose B could advance its rate only by $4.00 per hundred, taking account of local fiscal realities, not to mention possible legal constraints imposed by tax limitations. It would have half the supplementary program of A at twice the supplementary tax rate.

(ii) The local contribution rate is seldom set at that rate which would pay for the foundation program in the richest district. Given the very unequal distribution of non-residential properties, the richest district (on an assessed valuation per student basis) is likely to be very rich indeed, and the mandatory local contribution rate would be very small. The result in a literal reading of the Strayer-Haig formula would be that the state government would be paying for about all of education services. To avoid this result, a higher local contribution rate is chosen than that which would raise the value of the foundation program in the richest district.

(iii) Theoretically, then, those rich districts which raise *more* than the value of the foundation program per student at the standard local contribution rate should turn that excess over to the state for redistribution to poorer districts. The contrary happens, in that such rich districts are given a "flat grant" per student. The result is anti-equalizing. If one should take the simple position that equity would prevail if the flat grant were abolished, then one must reckon with the fact that several of the boroughs of New York City are "flat grant districts" for the purpose of computing State aid for education.

TWO ALTERNATIVE PROPOSALS FOR REFORM OF EDUCATION FINANCE

(1) *Power equalizing.*—This is a very simple idea that cuts through the long involved discussion that school finance experts hold about foundation program plans, percentage grants, and the like. Professor John E. Coons of the Law Faculty, University of California, Berkeley, has suggested that there should be a plain relationship between the effort a local school district makes in supporting its schools, as measured by tax rate, and the amount of money that is made available per student for its school programs.[12] This relationship could be expressed in such a table as the following:

Effort-local tax rate (per $100 of assessed valuation)	Dollars available for elementary/secondary programs per weighted student
$1.00	$800
1.50	1,200
2.00	1,600
2.50	2,000
3.00	2,400

The figures, of course, are illustrative only, but the essential idea is this: all districts that levied local tax at the same rate would have available equal sums of money per weighted student to spend on their educational programs. It is probable that the State would wish to establish both minimum and maximum values for school spending.

In order for a state to establish a power equalizing system, it is necessary that it stand ready to subsidize educational programs in poorer districts. The degree of subsidy will be greater as the district is poorer. If differences in assessed valuation per student are very large, it might turn out that rich districts, on the other hand, paid more in local school tax than they were allowed to spend on their educational programs. Politically speaking, this situation would be distressing, and it could be avoided by the state's taking action to reduce inter-district differences in assessed valuation per student. As we have already noted, statewide taxation of non-residential real properties would serve to accomplish this.

(2) *Full State Funding.*—Primary impetus toward full state funding of elementary and secondary education has come from the Advisory Commission on Intergovernmental Relations which conducted a national study. In 1969, the Commission stated: "In light of an exhaustive study of State Aid to Local Government, the Advisory Commission concluded that in the long run substantially all the non-federal financing of elementary and secondary education should be shifted from the local property tax to the superior tax resources of the State governments." [13]

The essential features of full state funding were presented in 1969 in Governor Milliken's proposals for education reform in Michigan. In summary, they are the following:

(i) The state provides nearly all the money for the operation of elementary and secondary schools. (Costs of new capital construction may be left to the local authorities, as well as costs of servicing existing debt). The additional state revenues necessary to meet "full costs" of operating elementary and secondary schools may be obtained by a statewide property tax, more intensive use of state income taxes or sales taxes, or by the introduction of a new tax such as the levy on value added. The Advisory Commission on Intergovernmental Relations has recently reversed its 1969 stand against the use of a statewide property tax, at least as a transitional measure.

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[12] John E. Coons, William H. Clune, III, and Stephen D. Sugarman, *Private Wealth and Public Education*, Cambridge, Harvard University Press, 1970.

[13] Advisory Commission on Intergovernmental Relations, "Urban America and the Federal System," Washington, D.C., Superintendent of Documents, U.S. Government Printing Office, 1969, p. 22.

(ii) It is ordinarily necessary to eradicate most of the differences in levels of spending for local educational services before full state funding can be fully operational. The state government, that is, can hardly underwrite programs in which some districts are receiving twice the benefit of other districts. Staff has estimated the costs of "levelling up" expenditures for current operations to the 75th percentile of districts in New York to be $451,999,000; cost to "level up" to the 90th percentile would be in the order of $1,351,020,000. This levelling up cost could be spread over several years of the State's budget, of course.

(iii) The State must determine a defensible basis for distributing money to school districts. It is likely that the State would take into account differences in wage and salary levels in the various regions of the State, and the special educational requirements of different types of students.

(iv) The process of determining how much money should be spent in individual school districts would ease if the State established regional educational centers to supply special services, such as vocational education, programs for the handicapped, remedial programs, programs for the gifted (including the scientifically and artistically gifted), student transport, health services and the like, to districts on their order. Under this process, the state distributes *educational services* as such to districts and avoids some of the necessity for making precise inter-district judgments about needs for cash. It is "aid in kind," rather than aid in money.

(v) Local authorities should be granted limited powers to supplement their educational programs by local taxation. It is now commonly proposed that this supplementary levy itself should be "power equalized," in the way described in Section (1) above. As the Advisory Commission on Intergovernmental Relations has stated, ". . . The Commission assumes that there would be a limited opportunity for local enrichment of the educational program. However, failure to circumscribe the amount of local enrichment—by limiting it to 10 percent of the State grant, for example—would undermine its . . . objective—(to create) a fiscal environment more conducive to educational opportunity . . ."[14]

(vi) Implicit in the arrangement for full state funding is some control over the powers of local school districts to engage in collective bargaining with professional and non-professional staff. One possibility is that bargaining about salary schedules and pensions would be conducted on a regional basis. This would establish region-wide costs of salaries per teacher, which would be recognized in the State's distribution of grants to districts within any given region. At the same time, bargaining on detailed working conditions could be conducted locally.

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[14] *Ibid.*, p. 23.

Senator MONDALE. Thank you very much for a most stimulating contribution.

Our final witness this morning is Mrs. Catharine Barrett, the president-elect of the National Education Association. Mrs. Barrett, will you come to the witness table. We are glad to have you here. We always appreciate the NEA and what they have contributed and continue to contribute to the work of this committee and to education in this country.

STATEMENT OF CATHARINE BARRETT, PRESIDENT-ELECT, NATIONAL EDUCATION ASSOCIATION; ACCOMPANIED BY GLEN ROBINSON, DIRECTOR, NEA RESEARCH DIVISION, AND STANLEY J. McFARLAND, ASSISTANT EXECUTIVE SECRETARY FOR GOVERNMENT RELATIONS AND CITIZENSHIP

Mrs. BARRETT. Thank you, Senator Mondale. It's nice to see you again. I saw you from a distance at our national assembly in Detroit and was very impressed with your comments.

Senator MONDALE. You are very kind.

Mrs. BARRETT. As you know, I am Catharine Barrett, president-elect of the NEA, and you know that we are a 1.1-million teacher organization. I'm a classroom teacher, have been all my life. I teach at Danvers School, which is an innercity school in the city of Syracuse, when I am not on leave of absence as I am at the moment. Of our 46 schools, we have approximately 16 innercity schools in a school population of between 28,000 and 30,000 youngsters.

I very much appreciate this opportunity to draw your attention to the current financial crisis facing our schools.

With me are Glen Robinson, director of the NEA Research Division, and of course, you know Stanley J. McFarland, our assistant executive secretary for Government Relations and Citizenship. We are here to report on a quick survey of the Nation's largest school systems which we conducted to determine some hard facts about the extent of the financial crisis which is undermining the education of our school children.

Without reference to many numbers, I would like to describe the kinds of cutbacks which are taking place this year and what they mean in terms of pupil learning and well-being. If the committee wishes, Dr. Robinson will follow me with an explanation of how the survey was made, how reliable the information is, how many school systems are cutting different kinds of staff and programs, and a report on the education manpower situation this year.

Senator MONDALE. Perhaps because of shortage of time, you will submit that for the record.*

Mr. ROBINSON. Fine.

Mrs. BARRETT. We are also presenting for your information two additional NEA studies. The study entitled "School Bond and Budget or Tax Referenda" indicates the local taxpayer's record in voting for bonds to build schools and tax referenda to pay the increasing costs of public education. About one-half of the referenda are failing.

The second study is the NEA's annual survey of "Teacher Supply and Demand." For the first time since World War II, we have almost enough qualified teachers to provide adequate educational services. It is ironic that in many of our great city school systems there are not funds forthcoming to maintain even last year's minimal levels of service.

Senator MONDALE. I have heard these people say we have a surplus of teachers. Actually, now would be the time to really launch an all-out attack on disadvantage by bringing these teachers to bear in the numbers required. If we could fully fund and adopt a Child Development Act, there would be a need for several thousand teachers. Perhaps some of the needs would come later, but there would be an immediate quick need for them. As a matter of fact, this would be a good time to start it. Otherwise, we are not going to be able to find qualified professionals without a longer period of training.

Mrs. BARRETT. I quite agree with you on this.

Now, a box score on the crisis. On September 14, the NEA Research Division sent telegrams asking the superintendents of 103 school systems, including all of the largest systems enrolling 50,000 pupils or more and a few others, if there were financial cutbacks in staff and school program this year because of a financial crisis. Within 4 days, administrative officers in 63 systems responded.

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* See Part 16D, Appendix 3.

63 School Systems Report

Forty-one systems reported some kind of rollbacks taking place because of financial limitations.

Thirteen systems reported a "hold the line" budget of no cutbacks but no improvements either. Some of these indicated they would be in crisis by the end of this school year or next if additional revenues were not forthcoming.

Nine systems reported they had adequate funds to support last year's program and to make a little progress toward improving education.

I had the opportunity last evening to speak to the business and professional men's group in Poughkeepsie, N.Y. Poughkeepsie is one of our embattled cities as far as education is concerned. Out of a faculty of a little over 500 teachers, in June the Board of Education dismissed 112 teachers.

Senator Mondale. Twenty-five percent?

Mrs. Barrett. Right, because of inadequate funds to operate at last year's level this year.

At the outset, I want to make the record clear that the culprit in these cutbacks is not the increase in teachers' salaries. Teachers' salaries have, indeed, gone up—but at a pace which is just behind, and not ahead of, other professional workers, both men and women.

Senator Mondale. You have a table there?

Mrs. Barrett. We have supplied table 1* to indicate that.

Senator Mondale. All right. That will be placed in the record?

Mrs. Barrett. Right.

Financial Crisis as School Begins

This is the beginning of the school year. It is confusing enough in normal times. These times are abnormal and chaotic. A financial crisis is compounded by court-ordered integration in many of these systems. Pupils and teachers are transferred from schools where they expected to be assigned to other schools for the worthy purpose of achieving racially balanced classrooms. Some school systems still do not know how many pupils or teachers will actually be on their rolls. In two or three States, the State legislatures are still meeting on questions of raising taxes to increase State funds for schools.

The last minute regulations of the Department of Agriculture, which reduce the funds available for lunches for needy children, further complicate the situation, throwing the cost back on the local level, where funds do not exist.

Then there is the wage-price freeze and the confusion over its application to teachers' salaries.

I have no doubt that in some communities citizens and civic leaders will rally and find funds to mitigate some of the losses cited here. In others, they will not, and the crises will deepen.

Of those school systems polled, 23 cut back a total of 4,388 regular teaching positions.

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* Part 16D, Appendix 3.

Senator **Mondale.** In other words, 23 of the systems that responded to your poll this year are reducing their regular positions by 4,388 teachers below last year?

Mrs. **Barrett.** This is correct. There was one system which indicated cutbacks, but was unable to give the number. Other systems indicated that a job freeze is in effect. No vacancies which come up during the year will be filled under that freeze. This means larger classes, less individualized instruction, less time to meet the pupils' needs. Especially in ghetto schools—and I can speak firsthand on that issue—time with the individual child is the most important element in instruction. This is when we make him feel important. We give him some feeling of self-sufficiency and self-respect that he gets in no other way, and this is important to the receptivity of the child to learning in the first place.

As you know, we really get through to many of our so-called slow learners through special programs in art, music, drama, industrial arts, and physical education. Pupils who do not achieve quickly in basic subjects frequently achieve remarkably well here and this success is a key to faster learning in other subjects. Special teachers for art, music, drama, industrial arts, and physical education certainly are not frills. Yet, teachers of these subjects were cited as those most frequently cut.

TITLE I FUNDS PROVIDE EXTRA PROGRAMS

In my own city school system, we are able to provide art, music, physical education, and some additional programs in the arts by reason of Title I funds. We are finding ourselves severely handicapped this year by the regulations that have been laid down regarding who in our inner-city schools may participate in those programs. At the moment in those schools where we have art, music, and physical education down through grade 1 by reasons of Federal funds, we find that some youngsters are being deprived of these extra classes, if we can call them extra, because the family income isn't quite low enough to be considered the poverty level. I suspect that some instances might be so ridiculous as to deny the child's eligibility because the family income is a dollar more than the poverty level.

Senator **Mondale.** Then, that gets back to what Mr. Benson and I were talking about—making funds available for children who are fully as much in need of it as those who are receiving Title I assistance.

Mrs. **Barrett.** And in need of it in many other areas. Stan has something he would like to offer here.

Mr. **McFarland.** Senator, possibly because of the limit of funding, Title I regulations provide that schools that do not have 70 or 80 percent disadvantaged students could not qualify for Title I funds.

Senator **Mondale.** At all?

Mr. **McFarland.** At all.

Senator **Mondale.** Yes. Is that under the present Title I rights?

Mr. **McFarland.** Yes, sir.

Senator **Mondale.** In other words, they say in effect that the poor kid has to find a poor school, a school composed of poor students in order to be entitled. If he's a poor student in a rich school, he's out.

Mr. **McFarland.** When Title I started, there was 25 to 30 percent disadvantage school population requirement. Now the percentage has increased to 70 to 80 percent, because money isn't available to fund more programs.

Mrs. Barrett. The numbers of school nurses, psychologists, and guidance counselors were also reduced, as were school administrative and supervisory personnel, principals, and clerical and maintenance workers.

Senator Mondale. So that the teaching conditions are just part of it. In addition to that, the teachers aides and other kinds of assistants were also cut?

Mrs. Barrett. And I can't speak too strongly about the need for the teacher aide in the inner-city school. The teacher aide in so many ways during a day frees the teacher to do the actual job of teaching.

Senator Mondale. Right.

Mrs. Barrett. And in some instances do it on an individual basis, which is basic to the whole problem. Teacher aides other than those funded by Federal programs have been eliminated in some systems and cutback drastically in others. The aide is an indispensable asset in the large urban classroom. The aide works in clerical, custodial, and learning situations under the teacher's supervision. The aide frees the teacher to work individually with pupils or with smaller groups of pupils, and in addition—and this is very important—the aide is a vital liaison between the school and the community. Most often we try to draw those aides from the individual school community at large.

Funds to pay substitute teachers have been eliminated or severely curtailed. You cannot leave a class unattended nor can you send children home if the regular teacher is sick.

Reduced Hours for Students

A reduced number of course hours for secondary pupils, split sessions, and a shortened school year are other ways school systems will cope with the financial crisis. If the Ohio Legislature does not come up with relief before adjourning, schools in Dayton will be out of money and will close about October 15. They will not reopen until January when the new fiscal year begins. Chicago pupils will lose 2 weeks.

Of the systems reporting cuts, 18 have reduced budgets for instructional materials. In many systems there are both staff and instructional materials cutbacks.

Now, I can dramatize for you the effect of cutbacks in materials. As a teacher, I have had the experience of walking into my office to register and to indicate that I needed a supply of something as simple as chalk. Two sticks of chalk were handed to me as my allotment for the next few days because there was a shortage of instructional supplies. This happened before this year's cutback. The incident dramatizes a little bit, I believe, of what we are talking about in cutbacks of instructional materials.

Education Program "Gone To Pot"

May I describe the situation reported in a Southern system. President Nixon has said that Federal funds may not be used for busing. The Governor of the Southern State is setting the same restriction on use of State funds. The Supreme Court has ordered busing. The funds for busing obviously must come from local funds, which will eat up virtually all the local resources. Hence, there will be no funds for teaching supplies for pupils, except those who are in a Federal program. The parents cannot be compelled to supply teaching supplies for their children who are elementary pupils. Thus, some children will have supplies and some will not. There will be no teacher aides. The teachers will get no salary increases. The general education program was described—quite adequately, I would think—as "gone to pot."

A system in New England reported that maintenance of school plant was eliminated except for repairs essential to the health and safety of the pupils.

A western system which is increasing in number of pupils will increase class size and eliminate teacher aides. The allocation for instruction is cut back to the 1966 level despite an increase of 30 percent in costs of these materials since 1966.

I urge you to read the reports from the system which are attached. As a teacher, of course, I am shocked and utterly dismayed.

Since 1966, when ESEA went into effect, State and local taxes have supplied an additional $15.7 billion for schools, raising the total revenue collected from their own tax sources to $39 billion. Over the same period funds from the Federal Government for public schools have increased $900 million to a total of $2.9 billion.

It is clear that States and their local school systems cannot continue their heroic effort to supply additional funds to support the increase in educational costs. This year, many pupils will get less education than last year—and far less than they need. The time has come when a large increase in Federal funds is critically needed to maintain a reasonable rate of improvement in educational services. The NEA believes the Federal share should be at least one-third of the cost of public schools, and we hope that members of the committee will help us achieve this goal.

Thank you very much.

Senator **Mondale**. Thank you very much for a most useful statement, and particularly for the efforts to which the NEA went to procure these really dramatic, and indeed heartbreaking figures on the disastrous cutbacks being visited upon the American school systems in this country.

PREPARED STATEMENT OF CATHARINE BARRETT

I am Catharine Barrett, President-Elect of the National Education Association, representing some 1.1 million of the nation's teachers. My classroom teaching position is with the Syracuse City School System in the heart of the city's lowest income area. I appreciate this opportunity to draw this Committee's attention to the current fiscal crisis facing our schools.

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As you know, we really get through to many of our so-called slow learners through special programs in art, music, drama, industrial arts, and physicial education. Pupils who do not achieve quickly in basic subjects frequently achieve remarkably well here and this success is a key to faster learning in other subjects. Special teachers for arts, music, drama, industrial arts, and physical education are not frills. Yet teachers of these subjects were cited as those most frequently cut.

The numbers of school nurses, psychologists, and guidance counselors were also reduced, as were school administrative and supervisory personnel, principals, and clerical and maintenance workers.

Teacher aides other than those funded by federal programs have been eliminated in some systems and cut back drastically in others. The aide is an indispensable asset in the large urban classroom. The aide works in clerical, custodial, and learning situations under the teacher's supervision. The aide frees the teacher to work individually with pupils or with smaller groups of pupils. In addition, the aide is a vital liaison between the school and the community.

Funds to pay substitute teachers have been eliminated or severely curtailed. You can not leave a class unattended nor can you send children home if the regular teacher is sick.

A reduced number of course hours for secondary pupils, split sessions, and a shortened school year are other ways school systems will cope with the financial crisis. If the Ohio legislature does not come up with relief before adjourning, schools in Dayton will be out of money and will close about October 15. They will not reopen until January when the new fiscal year begins. The Dayton pupils will lose more than two months learning time this year. Chicago pupils will lose two weeks.

Of the system reporting cuts, 18 have reduced budgets for instructional materials. In many systems there are both staff and instructional materials cutbacks.

May I describe the situation reported in a southern system. President Nixon has said that federal funds may not be used for busing. The governor of the southern state is setting the same restriction on use of state funds. The Supreme Court has ordered busing. The funds for busing obviously must come from local funds, which will eat up virtually all the local resources. Hence, there will be no funds for teaching supplies for pupils, except those who are in a federal program. The parents can not be compelled to supply teaching supplies for their children who are elementary pupils. Thus some children will have supplies and some will not. There will be no teacher aides. The teachers will get no salary increases. The general education program was described as "gone to pot."

A system in New England reported that maintenance of school plant was eliminated except for repairs essential to the health and safety of the pupils.

A western system which is increasing in number of pupils will increase class size and eliminate teacher aides. The allocation for instruction is cut back to the 1966 level despite an increase of 30% in costs of these materials since 1966.

I urge you to read the reports from the systems which are attached. As a teacher, I am shocked.

Since 1966 when ESEA went into effect, state and local taxes have supplied an additional $15.7 billion for schools, raising the total revenue collected from their own tax sources to $39.0 billion. Over the same period funds from the federal government for public schools have increased $900 million to a total of $2.9 billion.

It is clear that states and their local school systems cannot continue their heroic effort to supply additional funds to support the increase in educational costs. This year many pupils will get less education than last year—and far less than they need. The time has come when a large increase in federal funds is critically needed to maintain a reasonable rate of improvement in educational services. The NEA believes the federal share should be at least one-third of the cost of public schools, and we hope that members of this Committee will help us achieve this goal.

Senator Mondale. I have a statement here from Glen Robinson. Perhaps, in light of this data, you might comment briefly or read this statement, whichever you prefer.

Let's see, on September 14, you sent a wire to these school systems. How many school systems?

Mr. Robinson. There were 113 in all, Senator.

Senator Mondale. One hundred thirteen, and asked the information as set forth in your statement, and you received an immediate response from 63 systems. That itself is unusual and that's an expression, too, of the emergency, isn't it?

Mr. Robinson. Yes, especially with the District of Columbia telephone system in our sector being out for a morning. We missed a number of calls on that day, we're sure.

These calls supplying us the data were made mainly either by the superintendent or an assistant superintendent or close staff member who was knowledgeable of the situation at the time.

We would like to stress, though, that these data were based on the facts available at the time and that these conditions can and do change, so this was a very quick study.

Senator Mondale. Quick.

Mr. Robinson. And we would not want to add any more validity and reliability to the study than is implied with this quick telegram and telephone response.

Senator Mondale. I think you did that at our request?

Mr. Robinson. Yes, we did, Senator.

Senator Mondale. And we're greatful for it. I think we'll place the full statement of Dr. Robinson in the record as though read; parts 1, 2, and 3, the tables that set forth your findings, will be found in the appendix of the record.*

PREPARED STATEMENT OF GLEN ROBINSON

On September 14, the NEA Research Division received the request to "collect hard data" on the extent of the financial crisis in the public schools. The request for the information was urgent and needed within a week. That afternoon a night letter was sent to superintendents of the 83 largest local school systems enrolling 50,000 or more pupils and 20 additional systems so that the survey would cover at least one city (either the major system or the capital city) in each state. The night letter read as follows:

"Urgently need information for Senate hearings about effects of financially induced cutbacks in public schools. Disregard cutbacks related to enrollment reductions. Telephone collect 202/833–5469, 5468 or 5458 before noon September 17.

"A. Have you had financial cutbacks this school year?

"B. If so to what extent have the following been reduced: regular teachers, substitutes, specialized teachers, other professional staff, teacher aides, teaching materials, etc.

"C. Cite outcomes such as larger classes, shortened day, program reductions, service reductions, staff reassignment, shortened year, etc.

"D. Which sources of funds are cut back: federal, state, local.

"Glen Robinson,
Director, NEA Research Division."

The response was surprising; in only four days we received telephone calls from 63 systems. Time was too short to use a random sample of school systems or to make follow up calls to school systems which did not phone back. We no doubt lost some responses as a section of the Washington D.C. telephone system was blacked out because of rain on Friday, September 17.

It should be stressed that the information reported here is based on the best information the school superintendents had at the time they or their staff members telephoned us. Some systems did not have final budgets or contracts with teachers and other employees at the time of the survey. At least 3 state legislatures are still meeting. Some federal funds, such as school lunch funds, are still uncertain. The wage-price freeze is uncertain in its application for many teachers and we do not know yet what effect it will have on school finances. You will note that the survey asks the superintendents to cite cutbacks related to financial conditions and not to enrollment reductions which some systems are experiencing this fall.

The systems reported here enroll a total of 6 million pupils and employ one-quarter million teachers or about 1 in 8 of the total pupils and teachers in the public elementary and secondary schools of the nation. They represent largely metropolitan areas including center city systems such as Boston and Chicago, and county wide systems, such as Duval County, Florida and Baltimore County, Maryland. One state system, Hawaii is included.

The data collected for individual school systems are attached to Mrs. Barrett's statement. The following data summarize the kinds of reductions which are taking place in the 63 school systems reporting:

38 systems reported one or more types of professional staff reductions—classroom teachers, specialized teachers, and/or other professional staff.

24 systems reported reductions in the number of regular classroom teachers employed. One of the systems had not yet determined the number of teaching position cuts which would be made. A total of 4,388 teaching positions were eliminated.

8 systems reported reductions in funds to hire substitute teachers.

17 systems reported reductions in the number of specialized staff such as teachers of art, music, reading, drama, industrial arts counsellors, etc.

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*See Part 16D, Appendix 3.

27 systems reported reductions in other professional staff including principals, supervisors, and administrators.

19 systems reported reductions in teacher aides.

20 systems reported reductions in allowances for teaching materials.

14 systems reported other types of reductions including secretaries, clerks and custodians, building and maintenance programs, and miscellaneous activities.

22 systems reported increases in class size.

3 systems reported a shortened school day at the secondary level.

5 systems reported a shortened school year.

27 systems are reducing the educational program such as art and music, industrial arts, advanced courses in math, sciences and foreign languages, and summer school programs.

9 systems are reducing educational services to pupils and community services, such as field trips, guidance services, community use of the building.

7 systems are reassigning staff such as assistant principals and supervisors as classroom teachers.

14 systems reported other kinds of reductions—primarily capital outlay such as new buildings and maintenance of buildings and grounds.

18 systems attributed a part of this reduction to shortages or cutbacks in federal programs.

Shortages in local revenues were mentioned most frequently and many were associated with loss of local budget, millage, and bond referenda.

Senator MONDALE. There is no question but that the Federal Government has been a very poor partner. That figure, I hadn't heard that one before. Was it 17—the local school districts in the States have anted up an additional $15 or $16 bililon since Title I was adopted and all Federal programs for public schools have increased by only $900 million.

That is, of course, why the percentage is actually dropping and since the first appropriation was adopted for Title I, which is certainly a very squalid and unimpressive performance.

I'd like to change the subject just a minute, if I may, because you are a teacher in a ghetto school.

Mrs. BARRETT. Yes, sir.

Senator MONDALE. And the president-elect of the NEA. You have heard our discussion with Julius Hobson, or I guess you came later.

Mrs. BARRETT. I was late coming in.

Senator MONDALE. The question is the incentives for good teachers to stay teaching rather than rise, as it's thought to be, in the bureaucracy. Is there not an incentive that often draws many of the better teachers out of the school classroom into the central city administrative structure? Have you found that in your experience?

Mrs. BARRETT. Yes, I have found that in my experience. But the fact of the matter is that now, in cities like mine, for many reasons boards of education are finding it increasingly difficult to move teachers from the classroom into principalships of buildings. Part of it is due to the conditions that exist in the schools and the feeling of principals that they do not have all the support nor the materials nor the finance to bring about the changes that are necessary to bring about.

KEEP EXCELLENT TEACHERS IN CLASSROOMS

Increasingly, too, we find teachers who feel that their commitment is to the youngsters, and have absolutely no interest in administration. Higher salaries in administration have been an incentive to leave the classroom. I think financial incentive should take place at the level at which the effort is being made. I would hope that we might turn the system around somehow so that the teacher in the classroom, who is an excellent teacher, would not have to move out by reason of money. I think, if I had anything to do with setting salaries other than to bargain for them, that I would perhaps give the highest salary in a school to the first grade teacher. I do think the whole system of attitudes is finally changing there.

Senator **Mondale**. How many years have you taught in a ghetto school?

Mrs. **Barrett**. I have always taught in low-income schools from the beginning of my career, which is 35 years plus.

Senator **Mondale**. How long have you been teaching in this elementary—is it an elementary school?

Mr. **Barrett**. Always in the elementary divisions.

Senator **Mondale**. In Syracuse?

Mrs. **Barrett**. All my experience but 1 year has been in Syracuse, and I was in the classroom last year, although I'm on leave this year.

Senator **Mondale**. Have you dealt with children who have been in Headstart?

Mrs. **Barrett**. The length of time that we have had Headstart in our city has not been long enough that they have reached me at the level at which I teach, which is grade 6.

Senator **Mondale**. I see. Do you have any impression of whether that's doing any good?

Mrs. **Barrett**. I think it's doing a tremendous amount of good.

Senator **Mondale**. The teachers dealing with the first and second grades feel it's helping?

Mrs. **Barrett**. That's right. Also, teachers at kindergarten level, who are receiving youngsters from Headstart, find that those youngsters are much more ready for school as it operates than children who do not have the advantage of it.

Certainly, it's a program that should be improved and supported more adequately than it is at the moment.

Senator **Mondale**. Yes. Thank you very much for a most useful statement. We wish you well in your administration.

Mrs. **Barrett**. Thank you very much.

Senator **Mondale**. The committee is in recess, subject to the call of the Chair.

(Whereupon, at 12:15 p.m., the Select Committee was recessed, to reconvene at the call of the Chair.)

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